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Summit Reviews World Ills But Makes No Key Decisions

New York Times Service CANCUN, Mexico - Leaders of 22 industrialized and developing nations have ended two days of talks with a detailed analysis of problems of world poverty but without an agreement on a global strategy to alleviate them.

As the meeting ended Friday, the United States, Britain and West Germany still insisted that arrangements to remake the world economy take place in existing in-ternational agencies, which are controlled by the wealthier coun-tries. The 19 other nations favor placing ultimate power in a United Nations body where each country

At a news conference Samrday, Secretary of State Alexander M. Haig Jr. declined to say that the gathering had spurred the global round. "A lot of preparatory discussions have to be held informally

to ensure there is a consensus" on the U.S. "benchmarks," he said. In contrast, President François no General Assembly should over-Mitterrand of France said he rule the International Monetary would be surprised if the negotiations did not begin by the spring.

A carefully drafted statement by the conference chairmen, President José López Portillo of Mexico and Prime Minister Pierre Elliott Tru-deau of Canada, spelled out the di-vision. One sentence said the 22 countries agreed to support "at the UN, global negotiations on a basis to be mutually agreed and in circumstances offering the prospect of meaningful progress with a sense of unyency."

sense of urgency

But the next sentence noted that "some countries insisted that the competence of the specialize agencies should not be affected." This was a reference to the posi-tion, strongly underlined by Presi-

U.S. Calls Envoy Home; Libyan Plot Reported

By Robert Reinhold

New York Times Service
WASHINGTON — The U.S. ambassador to Italy was hastily evacuated from Milan last Wednesday, without even a change of clothes, after Italian aothorities reportedly uncovered a Libyan plot to assassinate him in retaliation for the downing of two Li-byan planes last August, State Department officials say.

The ambassador, Maxwell M. Rabb, 71, formerly a prominent New York lawyer, was brought di-rectly to Washington, where he re-mains under guard. He is expected to return to his post in Rome with-

in a few days.
[The U.S. Embassy in Rome on nday denied reports that Mr. Rabb had been recalled to Washington because of a threat on his life. Reuters reported:
["The president called the out

bassador back more than a weekago -- the 13th or 14th of October but not because of a death threat," an embassy spokesman told Reuters. He said that President Reagan wanted Mr. Rabb in Washington to help with a domestic political issue and that the ambassador probably would return to Italy at the end of the month, although no date had been set.

A State Department spokesma Joseph Reap, said Saturday that. Mr. Rabb was recalled for "a number of reasons, including normal

Urgency Described

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However, a diplomatic source with detailed knowledge of the incident said that considerable urgency surrounded Mr. Rabb's return. He gave this account of the events:

The ambassador had been visiting Milan when word of the plot emerged. The Italian authorities instituted heavy police protection for him early Wednesday morning. He was put aboard an early flight Washington, where he was met

by U.S. security agents.

According to this source, intelligence officials determined that Mr. Rabb's murder had been ordered by the Libyan leader, Col. Moamer Qadhafi, and that Mr. Rabb was Col. Qadhafi's primary downing of two Libyan jets by U.S. fighter planes over the Gulf of Sidra off the Libyan coest.

He said about 10 persons, including top Libyan intelligence ofwere expelled from Italy as a re-



Maxwell M. Rabb

Last May, the Reagan adminis-tration ordered Libya to close its diplomatic mission in Washington and expelled its staff, saying that there was "a wide range of Libyan provocations and misconduct, including support for international

Nevertheless, the United States has retained strong economic ties with the North African country, which is the third largest supplier of oil to the United States, after Saudi Arabia and Nigeria.

Mr. Rabb appears to have been selected as a symbolic target rather than as someone active in the development of U.S. foreign policy toward Libya. He is reported to be confident that the Italian police can protect him when he returns to

The downing of the Libyan jets produced a loud but short-lived international furor. The Reagan ad-ministration contended that the jets were shot down after they challenged two U.S. fighters over international waters. Col. Oadhafi claims that area, the Gulf of Sidra, is part of Libya's territorial waters.

The 1,500 Americans living in Libya — mostly employees of U.S. oil companies — do not seem to have been affected, nor has Libya made any attempt to cut off oil supplies to the United States, from which Libya derives considerable dent Reagan and Prime Minister Margaret Thatcher of Britain, that Fund, the World Bank and the General Agreement on Tariffs and Trade. The developing world has a majority of votes in the UN assem-bly. The industrial nations, the biggest contributors, have the most votes in the special agencies.

Mr. Trudeao said at a oews con-ference that "Mr. Reagan had indi-cated a willingness to embark" on the global round. There is "a concensus to launch global negotia-tions" and "that is movement," he said. But he conceded that his text "begs the question" of decision-making and "we failed to get agreement on exactly what the

next step would be."

Later, he told reporters, "I would not say this is a solid step Mr. Mitterrand, however, said,

"I personally consider that we have moved forward." Bot in reply to a question, he admitted there were two divergent viewpoints over decision-taking. "The developing countries want the General Assembly to have full control" while "certain industrial countries want to safeguard" their strength in the specialized agencies.

Third World nations whose

Third World nations, whose faster development is the projected design of the global round, generally ignored the crucial political difference and took an optimistic

Different View

Mr. López Portillo asserted that the talks will move global negoti-ations forward" and "this fact was

spelled out very clearly."
The Third World nations had hoped as a minimum that the lead-ers would agree to set up a new World Bank agency to finance the search for energy in their lands. It had been opposed by the United States and oil exporting nations who feared private firms might be squeezed out.

Mr. Mitterand said flatly: "The energy sector will be set up. It will be part of the World Bank." He based his optimism on the fact that Saudi Arabia had said it was willing to go along in principle with

Mr. Haig, however, contradicted him. He said an impression had been generated that the new oil agency was "a uniformly support-ed concept and it was not."

Up in the Air

What happens now to global netiations is left up in the air. The United States proposed that the existing international economic agencies should be asked to draw up agendas for possible reform. But this idea failed to win support. U.S. officials said that the 14 southern or developing countries here feared that this would move the bargaining away from the United Nations and they wanted no part of that.

Many delegates had difficulty describing what was achieved. For the United States, Mr. Haig sug-gested that a major accomplish-ment was the clarification of the U.S. position and Mr. Reagan's public declaration that no global round would be permitted to veto decisions made by the specialized

For the Third World and its northern supporters like France, Austria and Canada, there remains a hope that somehow the global talks will start, and at the United Nations.

Nearly everyone was pleased with the amiable tone of talks among nations as different as China and India, and the United States and Algeria. Delegates said there was free-wheeling discussion of Third World grievances over trade, energy, finance and food.

Polish Army Units to Aid Villages. Warsaw Says; Asks End to Strikes

By Thomas W. Netter The Associated Press

WARSAW -The Polish govern ment on Sunday ordered special military squads into 2,000 small villages and towns to back up local officials, and demanded an end to a mounting strike wave over food shortages and other issues. Minister of Administration Ta-deusz Hupalowski said the special

military units were to "help solve local conflicts," and added that extraordinary situations require extraordinary measures.

We are facing winter and people are anxious," Gen. Hupalowski said on television. "The situation is getting worse and the government is doing everything it can to make survival possible."

"Local Conflicts"

The government of Premier Wojciech Jaruzelski, who has also been head of the Communist Party for just a week, acted swiftly on its pledge last Friday to send the units across Poland to help move food to market, ease problems with fuel distribution and "solve local con-

The posting of small operational units of officers and seasoned troops whose two-year enlistments have been extended appears to be an economic move amid a deteriorating market and fuel situation, rather than a step toward martial

Government sources said thousands of troops, in three- and four-man squads, would be fanning out across Poland. Gen. Hupalowski said the action would begin Mon-

Solidarity unionists, meeting across the country over the weekend to assess the government move

The Communist Party goes on the

offensive in Poland. Page 2.

and prepare for a national strike Wednesday, have reacted to the government's decision with a mixture of indifference and accept-Many union officials said they

would welcome the arrival of military units if they helped improve the deteriorating food situation or provided more coal and fuel for people in the countryside.

But there were signs that the authorioes were growing increasingly impatient with strikes and pro-tests. The government sent a high-powered delegation of civilians and a general to assess the effects of a strike in Tarnobizeg, southern Poland, where about 180,000 workers are on strike over food

Polish television, in reporting

ince where there is a major tractor factory, also carried a lengthy speech by a Politburo member Kazimierz Barcikowski, who said "every consecutive action of the government was torpedoed and blocked by Sobdarity in the past

months. 'Platform of Dialogue'

Poland's Democratic Party warned of the growing tension in Poland and called for a "broad platform of dialogue between the authorities, the Solidarity union and the Roman Catholic Church. the Polish news agency PAP re-

The party's Central Committee said the church and trade unions should find a place in the Communist-led national unity front, an umbrella organization that also includes the Peasants' Party and nominates candidates for local and national elections.

But the Democratic Party resolution also opposed a Communist demand for a ban on strikes, saying that they should be prevented by removing their causes, and using words strikingly similar to receot Solidarity statements.

Tass carried the Polish statement Sunday in a dispatch from

Jamaica, a Flagship in the Caribbean, Still Kept Afloat by Direct Aid

600,000 March In Europe Over Arms Buildup

Washington Post Service PARIS — Demonstrators calling for nuclear disarmament staged huge protest marches in Paris and Brussels on Sunday, adding momentum to a growing political constituency opposed to deploying improved U.S. nuclear weapons in Europe. The peaceful marches followed large protests Saturday in Rome and London.

The weakend's protests again

The weekend's protests again dramatized the difficulties faced by the Reagan administration in its efforts to upgrade and increase U.S. weaponry in Western Europe to face Soviet forces in Eastern Europe strengthened by mobile SS-20

The turnout — estimated at more than 50,000 in Paris and at least 200,000 in Brussels — underlined the popular appeal of antiouclear arguments that U.S. and European strategists fear will have to be taken into account by Western Europe's democratic govern-ments to the possible detriment of plans to introduce Pershing-2 and Cruise missiles into the European ouclear balance.

In London, about 250,000 peoplc demonstrated Saturday in Britain's biggest march and rally yet against nuclear weapons, reflecting the recent strong resurgence of the

onclear disarmament movement. The all-day demonstration was similar in size to a large West German nuclear disarmament rally two weeks ago in Bonn. It also was by far the biggest staged by Brit-ain's Campaign for Nuclear Disarmament since 1960, when 100,000 Britons joined in a ban-the-bomb

In Rome, a crowd estimated at more than 100,000 marched through the center of the city Saturday to protest the proposed de-ployment of Cruise missiles in Italy. The route took the protesters past the U.S. and Soviet embassies. About 30,000 people marched for peace in Turin on Oct. 17 and about 10,000 marched in Comiso, Sicily, on Oct. 11 to protest Italy's decision to deploy 112 nuclear-tipped Cruise missiles.

U.S. Defense Secretary Caspar W. Weinberger, leaving London after last week's talks with NATO defense ministers, said that such demonstrators should be taken seriously, but that they are not seeking their goal of peace in the best way, The Associated Press report-

"It doesn't change the policies of the government," Mr. Weinberger said at Heathrow Airport. It is completely understandable, but it's the wrong way to get the result we all want: no war.'

The anti-ouclear arguments rose in Europe with increased vol-

ume last week following remarks by President Reagan on the possibility of nuclear exchanges limited to Europe. Seized on hy the Soviet Union and widely commented nn in European newspapers and tele-vision broadcasts, Mr. Reagan's comments also provided ammunition to orators at the Paris demon-

stration Sunday.
"The recent declaration of Reagan on a nuclear war limited to Europe expresses out loud what military strategists have been plan-

Some European nations are expected to urge "zero option" as U.S. arms talk position. Page 3. Several U.S. Roman Catholic

bishops increase opposition to the U.S. arms race stance. Page 4. ning for a long time," said a state-ment from the Communist-ruo French labor uoioo, the Confédération Générale du Travail, read to loud cheers at a mass rally after the march.

The French Commmunist Party and its Belgian counterpart played key roles in organizing and publi-cizing the protests Sunday. But marchers in both cities called for an end to deployment of Soviet SS-20 missiles as well as a ban on the

U.S. Pershings and Cruises. In London, Labor Party leader Michael Font told the crowd: "This is one of the greatest days in the history of this democracy. The size of this demonstration shows that we are not prepared to give in to the dictates of the arms race."

Growing Fears

Mr. Foot, other speakers and many marchers attributed Saturday's large turnout and other signs of considerable growth in nuclear disarmament sentiment in Britain during the past year to growing fears that the United States and the Soviet Union might fight a limited ouclear war in Europe, sparing their own homelands, Washingtou Post correspondeot Leon-ard Downie reported from Loo-

"I can't dismiss [Reagan's remarks] as a gaffe," Mr. Foot said, "because the Western alliance strategy is based on a so-called flexible response [adopted by NATO in 1967] in which in some circumstances the West could strike first" with battlefield nuclear weapons.

Mr. Font and other speakers said the disarmament movement's first priority was to try to stop de-ployment of Cruise missiles in Britain beginning in late 1983 as part of NATO's modernization of theater nuclear weapons. Mr. Foot said Britain should press the

(Continued on Page 3, Col. 1)

Fundamentalists Clash With Egyptian Police

CAIRO - Police and underground Moslem groups have fought a series of gunbattles in several parts of Cairo, the government said Sunday.

An Interior Ministry statement said one Moslem fundamentalist was killed and 397 were arrested. The ministry said police had eized caches of arms and were continuing their raids aimed at wiping out the remaining fundamentalist hideouts.

The government statement said one clash took place on Friday but did not say when the others oc-

Although the statement said 397 fundamentalists had been detained, it did not indicate over what period the arrests had been

The statement said the fundamentalists had confessed that they planned a "Khomeini-style" revolution in Egypt - a reference to Iran's leader, the Ayatollah Ruhollah Khomeini — killing officials and sabotaging vital installations.

It said fundamentalists had burled granades and other explosives at raiding police in the plusb suburb of Maadi, a favorite residential area for Western diplomats. One fundamentalist was reportedly killed in that exchange.

The statement said that on Friday police raided a hideout in the Gamaliya area and were met with hand grenades and submachine gun fire. A oumber of policemen were wounded in the raids, but not seriously, it said.

The statement said weapons so far seized included 17 submachine guns and antomatic rifles, 23 pistols, 143 grenades, 75 kilograms (165 pounds) of gelignite, 8.5 kilograms of dynamite, bundreds of Molotov cocktails and various

kinds of ammunition. The ministry said the police had seized caches of arms and were continuing raids aimed at wiping out the remaining hideouts of the fundamentalists

semiofficial newspaper Al-Ahram that Egyptian security units had arrested 356 Moslems belonging to the organization that is believed responsible for the assassination of

Egyptian security sources indicated that the police were still searching villages and cities across the country in the hunt for more members of the underground Moslem network that reportedly engineered the slaying of Sadat at a military parade Oct. 6.

President Hosni Mubarak said

in an interview published in Al-Ahram on Saturday that the conspiracy to kill Sadat involved a coalition of secret Islamic societies, with the leading role being played by a group called Takfir wa-Hijra (Repentant and Holy Flight).

Plans Are Cited Mr. Mubarak said the assassins

and other members of the octwork. which reached inside the armed forces, bad planned to annihilate the entire Egyptian political, religious and military hierarchy in preparatioo for establishment of an Islamic republic such as that of Ayatollah Khomeini in Iran.

Al-Ahram quoted security nfficials as saying that the 356 arrested extremists were involved in the assassination and the planned coup. The latest official number of arrests marked an increase of 126 from the figures released last week by the Interior Ministry, an indication that the natioowide roundup was continuing.

Other Egyptian security sources, however, said that the number of arrests disclosed by the government was too low and that about 1,500 people — both religious militants and political extremists had been detained since the assassination oo Oct. 6. Mr. Mubarak said the Moslem

extremists were also found to have a mofti, an adviser on Islamic law, who provided what the president termed spurious religious legitimization for assassination and theft.

By Christopher Dickey Washington Post Service KINGSTON, Jamaica — Jamaice, a kind of flagship in the Caribbean, seems to bave done just that a developing country could do years of downturns. ASSIFF tion's point of view.

But if Jamaica is not sinking, it is not sailing either, and it is being kept affort mainly by the kind of direct aid that Washington is trying to de-emphasize. A year ago, Jamaicans voted out

a Socialist government friendly to Cuba and replaced it with a hardnosed, relatively conservative gov-ernment backed by and sympathetic to businessmen. The new government of Prime

Minister Edward Seaga courts for-

eign investors. It came to power

offering "deliverance" from Social-

ism, with repeated promises to put the country's economic house in Mr. Scare was welcomed in Jan pary as the first state visitor to the

Reagan White House... "Vital importance"

"We feel strongly," U.S. Secretary of State Alexander M. Haig Jr. said then, "that the future of Jamaica is not only of vital importance in its own right but also as an example for the entire Carib-



Edward Seaga

bean massin, a region where so many newly formed nations and peoples are facing the alternatives of authoritarian solutions and economic determinism, or a market economy and democratic process. We are all vitally concerned that Jamaica succeed

Prime Minister Michael Manley combined an apparent hostility to the private sector with chaotic economic management and radical talk, and it devastated Jamaica's economy with seven consecutive

The Seaga government predicts that Jamaica will have a 1-percent growth in the gross domestic product in 1981. According to a government survey released in June, the previously increasing percentage of unemployed dropped from 27.9 percent in April, 1980, to 26.8 percent last April. But a foreign economist estimated that the economic growth by the end of the year probably will be probably closer to zero percent "and could he oegative again."

A July report by the U.S. Embassy noted that the reason for "apparent improvement" in the unemployment situation "was an increase in underemployment — employment in activities such as street-side selling or casual farm work, which occupy a person only a few hours a week but yet get the individual recorded as employed in official labor surveys."

The Seaga government made clear from the start that it would ly in production, with a total capital investment of \$43 million, acneed to borrow heavily to revive cording to statistics from Jamaica amaica succeed."

the economy, but Mr. Seaga
The leftist government of former promised that his first year in off-National Internal Promotions, the organization set up by Mr. Seaga

ice would he one of "dynamic [change] and momentum." The U.S. Embassy reported that financial support from the Interna-

rional Monetary Fund, refinancing and oew credits from foreign commercial banks, and pledges of support from multilateral financial institutions and from bilateral donors such as the United States will total over \$800 million in this government's current fiscal year." A Western econmomist put the figure closer to \$1 billion, or about percent of the gross domestic product. Of the shrinking U.S. aid program, \$100 million is earmarked for Jamaica this year: \$60

has made \$300 million available this year. The Reagan administration helped form a U.S. business committee in Jamaica headed by David Rockefeller and two dozen chief executives of major corporations. Partly because of the committee, Jamaica has had 470 investment proposals, the vast ma-jority of the foreign ones being from the United States.

But only 21 projects are current-

million in governmental aid is coming from Venezuela. The IMF

liminary inquiries. If all the projects were realized, the total direct investment would be about \$777 million, but the total oumber of jobs created directly would be about 37,000 in a population of 2.2 million, with 250,000

'Mood Has Changed'

uncomployed or underemployed.

"It takes time to turn a train around in its tracks. But the mood has changed so much in a year, said Trevor Boothe, a director of investment promotions. "A lot of the larger projects which would have potential for significantly improving employment are the ones that take the longest to get in place.

But local economists, even those close to the Seaga regime, such as consultant Paul Chen-Young, are "An investment has to he really attractive in Jamaica to compen-

sate for interest rates in the United

States," said Mr. Chen-Young.

You need to have double those rates on return on investment to compensate" for the risk. One conservative local economist, who asked not to be named. analyzed the situation this way; "Here you've committed your-

to facilitate private investment. self to a private sector strategy. There are 398 other projects that The U.S. and business are commithave not passed the stage of preted and giving strong support but must invest in Jamaica.' So there is this gap and if it is oot supple-mented by official flows, the strategy is going to fail." Although the tension of last

year's elections and much of the political violence that shook the country and kept tourists away has dissipated, the tourists are still staying away. Mr. Manley, meanwhile, is

climbing in opinioo polls. After

losing 51 of the parliament's 60

seats to Mr. Seaga's party last year, Mr. Manley's personal popularity rating is now higher than Mr. Seaga's. "Everything has become, "What is the U.S. doing for us?" said Mr. Manley. "There is a sort of tremendous reversal of any at-

tempt to develop the psychology of

self-reliance." Businessmen and members of Mr. Seaga's government deny this, but many, like Mr. Boothe, ques-tion whether Jamaica is an examplc for others.

What is being done here, I do not believe can be done anywhere else," said Mr. Boothe, who was formerly with the United Nations. "This is a special case."

Egypt Foreign Minister Backs Peace Accords On Visit to Tel Aviv

By William Claiborne

Washington Post Service
JERUSALEM — Foreign Minister Kamal Hassan Ali of Egypt, in the first visit to Israel by an Egyptian minister since the assassina-tion of President Anwar Sadat, pledged Sunday to oegotiate "resolutely" for fulfillment of the Camp David peace accords and stability in the Middle East.

Arriving for three days of talks with Prime Minister Menachem Begin and other top officials, Mr. Ali said his visit underlines the determination of the new Egyptian regime to achieve a comprehensive

"Our meeting is a profound answer to all those who try to spread doubts that the peace process de-pended solely on the person of our late President Sadat," Mr. Ali said at Ben-Gurion airport.

'Enhancing Peace'

"It's our duty today to proceed resolutely more than ever before to show the whole world our determi-nation to abide by and adhere to our commitments to enhancing peace, not only for the benefit of the people in this area, including the Palestinians, but also the people in the world at large," he add-

Mr. Ali's conciliatory remarks contrasted with an exchange of sharply worded statements during the weekend between Israeli Foreign Minister Yitzhak Shamir and Egyptian Foreign Ministry spokes-men over Palestinian self-determi-

Mr. Shamir had urged the Palestinians to exercise their national aspirations in Jordan, saying that Jordan is already a Palestinian state and that it does not matter to Israel whether it is ruled by King Hussein or the Palestine Liberation Organization chief. Yasser

In reply, the Egyptian Foreign Ministry said Mr. Shamir's statement is a violation of the concept of the Camp David accords, an apparent reference to a peace treaty provision against hostile statements by signatories to the ac-

Israelis Bristle

For their part, Israeli officials bristled at remarks attributed to Mr. Ali to the effect that Israel was partly responsible for Sadat's assassination, because of the failure to speed negotiations on autonomy for Palestinians of the occupied West Bank and Gaza Strip, Mr. Shamir said Friday that Israel had exhausted its ability to compromise in the autocomy talks.

Mr. Ali said: "I think until now,

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all the negotiations concerning the handing over of the Sinai [peninsula] and normalization, as well as implementation of the Egyptian-Israeli peace treaty, are going in a very smooth, in a very honest way and in a very normal way as well. Now, it is our own responsibility Israel, Egypt and the United States - to get stability to the

The foreign minister added, in a Radio Israel interview: "In this respect, we have to work hard to see what are the elements to be reached for stability, and we consider the Palestinian problem to be one of the main problems...in the whole stability in the Middle

But Mr. Ali sidestepped ques-tions about a Palestiman state, saying: "We have to stick to the Camp David accords." He added that the treaty calls for the partici-pation of West Bank and Gaza Palestinians "and others" in defining the future of the political status

of the occupied areas.
"So, let us first implement the Camp David accords," Mr. Ali

For Israel, Mr. All's visit is the first opportunity to examine in depth the policies of the govern-ment of President Hosni Mubarak. Some Israeli officials said the ontcome of the three days of talks could determine the tone of the Israeli-Egyptian dialogue in the weeks ahead.

When asked about remarks attributed to him suggesting that Is-rael's intransigence contributed to Sadat's assassination, Mr. Ali said he had been "misinterpreted."

"I stated that maybe the delay in negotiations for full autonomy was of the elements used to charge the fanatie young people for the assassination of President Sadat,"

Khmer Rouge Accuses Vietnam of Poisonings

BANGKOK — The deposed Khmer Rouge regime of Cambo-dia has reported that almost 200 Cambodians, including children, died this month from food and cigarettes poisoned by the Viet-

The exiled Pol Pot government, on its clandestine radio station, accused the Vietnamese of putting toxic chemicals in food, toffee, fruits and cigarettes sold in the markets of Pursat province, in western Cambodia. Vietnam has denied earlier accusations that its troops were spraying toxic chemi-cals and poisoning food in Cambo-

about its great achievements whose fruits were there for all to see.

due to the polltical and economic chaos created by a tyrannical regime.



Egyptian Foreign Minister Kamal Hassan Ali is greeted by Israeli Defense Minister Ariel Sharon, left, on arrival in Tel Aviv for three days of talks on Israel's withdrawal from the Sinai.

Burma Reported Ready to Accept \$30 Million in U.S. Farming Aid

By Henry Kamm New York Times Service

RANGOON, Burma - The Burmese government is reported to be on the verge of signing an aid agreement with the United States providing \$30 million in agricultural assistance spread over a peri-od of three to five years.

The accord is viewed by Ameri-

cans as a significant step by the determinedly neutralist govern-ment of President Ne Win, which has refused economic aid from either the Soviet Union or the United States since it came into office by military coup in 1962. Diplo-mats said that Burma continued to ignore offers of assistance from

The only U.S. aid that Burma has been accepting is in narcotics suppression. Since 1974 the United States has supplied 26 helicopters and 5 transport planes to help the Burmese Army fight rebel groups that cultivate, transport and refine optum near the eastern frontier. annual program, amounting to \$4.6 million for this fiscal year. provides plane maintenance, com-munications equipment and assist-ance in crop-substitution programs

Turning Point

AN APPEAL TO THE CONSCIENCE OF THE

WORLD ON THE ANNIVERSARY OF THE BIRTH

OF THE LATE SHAHANSHAH OF IRAN.

Today October 26 would have marked the 62nd birthday of my late brother the Shahanshah

of Iran who died heartbroken, faraway from the once peaceful country he had led to the very

threshhold of progress, prosperity and self-confidence, and which now lies terrorized, torn

Yet, three years ago, peace and stability still reigned in the region and oil was flowing abundantly at a

third of the present price, thanks to a prosperous and strong Iran which my brother had built with

millions of dedicated compatriots. Iran, in addition to being a friend of the West, was a source of

stability for all other neighboring countries. But the West paid little attention to the foresight of the

Shahanshah and the general trend now is to Ignore all the realizations of the Monarchy and keep silent

Today Iran is in utter chaos and, five centuries after the Spanish Inquisition, lives under the terror of its own Torquemada - one far more merciless - for people condemned by the Spanish Inquisition were spared if they repented. They could offer witnesses in their own behalf, a privilege entirely denied by

While the crazed ship of the Theocratic bigots ruling Iran sail its catastrophic course on the

sea of blood it had spilled, hardly a day goes by without scores of Iranians, including

children, being executed on such preposterous charges as "waging war against God" or

"corruption on earth." Iranians have lost their freedom in more than the political and ideological

fields. They are being daily massacred for their beliefs. People have lost the freedom to travel, to seek

knowledge or even to choose what they want to wear, drink or eat. Their properties are confiscated by

greedy hoodlums and thugs. Thousands of educated Iranians have been executed. Hundreds of

thousands of individuals have been deprived of employment on various pretexts or have fled to exile

The inherent incompetence and madness of the regime to deal with the realities of our world

has created an alarming situation, where every one rich or poor, young or old, Moslem or

the Khomeinl Regime whose thirst for hatred, vengeance and massacre cannot be quenched.

The turning point in Burma's attitude on economic help occurred last year, when the Agency for In-ternational Development, the State

lowed once again lo assign em-ployees to the embassy here. The aid office was withdrawn at West Germany is the other ma-

Burmese request in 1965. Burmese request in 1965.

The first agreement to be negotiated was a modest village-level health-care program providing \$5 million for training and equipment over two years. The agricultural accord will offer training, equipment and fertilizer to help Burma

tion of cooking oils and corn.
Japan is by far Burma's largest source of aid, with a program that provides \$175 million to \$200 million annually. Japanese business-men and technical experts outnumber all other foreign experts combined. The Bank of Tokyo is the only foreign bank established here, and eight Japanese trading concerns have offices. In the last decade. Japan has provided nearly

toward self-sufficiency in produc-

Death Toll Rises to 171 In Spanish Oil Scandal

MADRID - Health Ministry officials said that four more persons in Madrid have died from adulterated rapeseed oil, bringing the death toll to 171.

About 16,000 Spaniards were said to have become sick after having used the toxic oil for cooking, and about 750 were still hospitalized on Saturday. .

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jor source of aid, and Britain, Aus-

Burma took its first step toward Western aid in the mid-1970s, when it turned to the World Bank and the Asian Development Bank. The government had realized that lack of development capital had led to economic stagnation, and that growth in the gross national product lagged behind population growth. In 1974-75, exports were a third of their value in the last year before the Ne Win regime took over. Inflation exceeded 30 per-

extended \$650 millioo in loans, raising Burma's foreign debt to \$1.7 billion. Over the same period, total foreign trade has risen three-fold to \$1.2 billion, still a quarter short of what it was in 1961.

Since then, the two banks have

Since the acceptance of Western d, the growth rate has averaged 6.7 percent over five years, with a rise of 8.3 percent in 1980, Belatedthe Green Revolution, which s raised Asia's rice production, has been brought to Burma, once a leading rice exporter.

High-yield varieties have increased production by 55 percent, a major factor in a 30-percent increase in per capita yearly income. Nonetheless, with \$174 per capita, Burma ranks 12th from the bottom on that index. Inflation is now put at 5 percent, but it is difficult to measure in view of the black mar-

Two shadows are cast over the generally encouraging picture. Petroleum production in Burma, which is nearly self-sufficient in energy, fell by 10 percent last year as a result of what is considered mismanagement, causing shortages. And the high rate of foreign to rise to above one quarter of export earnings.

U.S., Britain Change Time The Associated Press

WASHINGTON - Most of the United States and Britain returned to standard time early Sunday, turning clocks back one bour. Hawaii, most of Arizona and parts of Indiana remain on standard time

French Socialist Radicals Clash With Leaders at Party Congress

By Joseph Fitchett International Herald Tribune

International Herald Tribune
VALENCE, France — Leaders of the French Socialist Party, gripped by growing pains after winning political control of this country last spring, spent their na-tional congress during the weekend in fiery public discussion instead of engaging in the self-congratulations that might have been

expected.

The main theme of party leaders - many of whom are now in the government — was the need for pragmatic compromises if the So-cialists are to wield power effectively after a generation spent in political opposition.

Laying down the party line for the next two years, the congress of 800 Socialist delegates did not adopt any radical new measures beyond the government's existing

reform program.

Many speakers called for faster, more radical action by the government, vilifying "class enemies" in French business and media and warning that half-measures could expose France's experiment in Socialism to a fate similar to that of the late Salvador Allende in Chile. These fiery speeches gratified the party faithful, many of whom are more extremist than officeholding Socialists. The revolutionary rhetoric is a tradition in the So-cialist Party, which is dominated by schoolteachers, civil servants and intellectuals.

Reminder to Militants

In contrast, a series of Cabinet ministers — including Michel Ro-card, usually described as the party's resident social democrat, and also some erstwhile revolutionaries
— reminded party militants that they represent only a minority of the Socialists' voters and an even smaller minority of voters in France and in the business com-

munity.
The Socialist Party, while it has absolute political domination, so far has only a small foothold in the nation as a whole and among French farm and industrial workers. France's business community will remain 80 percent in private hands after the nationalizations. Compared to Europe's other ruling Socialist parties, French Socialists are numerically small and lack the strong links with trade unions that

normally buttress leftist parties.

Against this background, the congress' ballet of radical threats alternating with reassuring ministerial prudence also served the Socialists' wider national pur-poses: maintaining Socialist zeal and discipline white signaling to the opposition that the govern-ment could find excuses to become

even more radical.

They will help temporarily drown some discordant notes that have appeared despite the political and social honeymoon in France rand won office in May. Mr. Mitterrand stayed away from the congress because he resigned as the party's first secretary when he became president, but his Cabinet ministers and party stalwarts en-sured that the congress hit his critics on both left and right.

Union Criticism

On the left, France's Communist union is leading a strike at Renault, a prominent state-run enterprise that often has been a pace-setter in labor unrest. For the first time, Mr. Mitterrand has been publicly chided by union leaders — including his friend Edmond Maire — who are hearing complaints from their own followers.

The French Communist Party, a junior partner in the ruling coalition, has also launched a national campaign against Western nuclear

Mr. Mitterrand's followers ex-

horted the party's cadres to re-member that "peace should not be confused with pacifism" and accused the Communist Party of ignoring Soviet arms advances. In the presence of a delegation of So-viet observers — led by Polithuro candidate member Bonis Ponomarev as a mark of the new Soviet esteem for the French Socialists since they came to power -French orators pointed to the threat to Europe posed by Soviet

SS-20 missiles. Most of the congress' eloquence, however, was directed at the stiffening opposition in the French business community to the Socialist program of nationalizations.

The operation under which Pari-bas, a bank being nationalized, sold its Swiss subsidiaries has also alarmed the Socialists. Pierre Moussa, who just resigned as Paribas' head, was the congress' scape-

"If some bankers think France is unworthy of their money, then they are unworthy of France," Prime Minister Pierre Mauroy

plans for criminal investigation. Mr. Rocard, although weakened in the party, got an attentive hearing for his plea for compromise and economic discipline to ensure the long-term success of Socialist

Significantly, the party abandoned its past practice of preserving separate cancuses reflecting different political colors. Instead it adopted the platform drafted by the new party first secretary, Lionel Jospin, a former govern-ment technocrat and loyal aide of Mr. Mitterrand.

Smoke Bomb Thrown

VALENCE, France (Reuters) -Delegates at the Socialist congress scattered Sunday when a demon-strator threw a smoke bomb into the hall during the closing speech of Mr. Jospin. The demonstrator, who was quickly taken away, said he was a member of an anti-miltarist group. The congress resumed

WORLD NEWS BRIEFS

Iranian Chief Justice Defends Courts

The Associated Pres RETRUT - Iran's chief justice defended the system of justice in the country Sunday but said "some mistakes" had been made and that judges who made mistakes would be punished.

Tehran radio, broadcasting an interview with Ayatollah Abdolkarim Ardebili, quoted the head of the supreme court as saying that critics of

the judicial system were not being "fair." Referring to the those who have criticized the government for the execution of hundreds of people since early summer, Ayatollah Ardebile, said: "They should come and read these people's files, to see what they have done, to see where they come from. I don't want to say that they haven't been mistakes in the past, but compared to the amount of work done, even if there is a small percentage of wrongdoing, it will be jour-sued and those responsible will be brought to justice."

1,100 at Service for Japan Gangster.

United Press Intel TOKYO - About 1,100 Japanese ignored a new crackdown on organized crime Sunday to attend a memorial service for Kazno Taoka, known as the Al Capone of Japan, who died in July at the age of 68.

More than 500 policemen searched those arriving for the service at

Mr. Taoka's home in Kobe, 440 kilometers (275 miles) southwest of Tokyo, In an effort to discourage attendance, police launched a nation-wide crackdown on organized crime Friday in which 330 persons were

Mr. Taoka's organization had about 11,800 members. He was the most feared gang leader in Japan and was compared to Al Capone, the Chicago gang leader of the 1920s.

Iraq, Jordan Form Transport Firm

The Associated Press

AMMAN, Jordan - More than a year after the war in the Gulf shat down Iraqi ports, Jordan and Iraq formed a transport company Sunday to step up the Iraqi use of Jordan's port at Aqaba on the Red Sea.

After Iranian planes bombed Iraqi ports in the Shatt-al-Arab waterway at the top of the Gulf, King Hussein opened his harbor at Aqaba to receive goods bound for Iraq.

Since then, truck envoys have been rolling across Jordan and into:

Baghdad to help President Saddam Hussein avert shortages of consumer goods created by the war. Spokesmen for the two sides said the new transport company owns 750 trucks and should put another 450 into operation next mouth.

Karpov Wins 9th Game of Title Match

MERANO, Italy - World chess titleholder Anatoly Karpov won the

ninth game of the world chess title match on Saturday, giving him a commanding 4-1 lead over Viktor Korchnoi. Mr. Korchnoi resigned on his 44th move after four and a half hours of play. The Argentine grandmaster Mignel Najdorf commented that Mr.

Korchnoi creed as early as his move 10 in recapturing a pawn with a Experts said Mr. Karpov played with great precision. "Karpov played very well, very good chess," Swedish grandmaster Ulf Andersson said. The first player to win six games wins the championship.

UN Troops Kill Infiltrator in Lebanon

NAHARIYA, Israel — UN troops in southern Lebanon killed an armed Palestinian infiltrator and took two others prisoner early Sunday after a two-hour clash, a UN spokesman said here.

He said the incident began when a Norwegian UN patrol spotted four armed men wearing military fatigues north of the village of Rashiye el-Foukar. When the men refused to halt and identify themselves, he said, the patrol fired into the air. The armed men returned the fire, the spokes-

In Poland, Communist Party Starts Offensive

By John Darnton

New York Times Service WARSAW - About eight months ago, Jadwiga Nowakows-ka, a worker from Lodz who is also a Central Committee member, summed up the psychological trauma of Communist Party leaders this way: "A lot of the activists at

NEWS ANALYSIS

the higher level got so used to hearing applause in their honor that now, when there's no more applause, they think there's no

The applause still has not resumed. And the party still has not thrown off its doubts and divi-

It was above all a sense of drift, a consensus that nothing was being done to arrest Poland's economic slide and political disarray, that prompted the removal last weekend of Stanislaw Kania and his replacement by Gen. Wojciech Jaruzelski

The elevation of a man in uniform with a chestful of medals was clearly meant to bolster the party with the institutional base of the military and to drive home to both Solidarity and the Polish people the realization that force is, after all, the final option of the state.

Reorganization

In deposing Mr. Kania, who came to be seen as a rather benevolent if somewhat ineffectual figure, the Central Committee also passed a series of tough-sounding resolutions. The resolutions called for a return to the six-day work week and a temporary suspension of strikes, and they reflected a readiness to proclaim martial law.

reorganization along tougher lines, including expulsion of a prominent liberal newspaper editor, resigna-tions of Central Committee members from Solidarity and the sug-gestion of an "exchange" of party cards, which is the process of sitting and winnowing by which the party conducts ideological purges.

All of this led to speculation on whether the Polish United Workers (Communist) Party, which only three months ago staged a national

congress that, with its democratie

procedures, broke new ground in Eastern Europe, was turning toward a new hard line. Under the pressure of events that seem to throw the leadership from crisis to crisis without solution, are the party leaders moving away from liberal policies to a

speakers among the 200-member Central Committee favored a course of stronger action against the union. And within a few days there was a series of incidents to show that the message had gotten across. At the cost of near riots, the police in Katowice and Wroclaw rounded up union activists disseminating what the authorities construed as anti-Soviet or antistate views. The incidents had another thing in common: the arrests were made in central squares at the busiest time, as if to provoke a

Behind the new strategy, some see the hand of Stefan Olszowski. Dropped from the Politburo by the now-disgraced Edward Gierek the 50-year-old politician returned to power with Mr. Gierek's downfall last year and has been a major

figure ever since.

He is commonly regarded as the eminence grise of the party hierarchy. When he is put in ch an area, such as dealing with state news organizations, it begins to toe



the line. Because he is so intelligent and also so ambitious, many Poles inside and outside the party assume that Mr. Olszowski is almost fated to become party leader. He is biding his time, runs the conventional wisdom, ontil the political situation is stabilized so that the position really means some-

Back and Forth

From the onset of the crisis, Mr.

Olszowski has moved back and forth along the political spectrum between the moderate and the conservative wings, modulating his public pronouncements carefully so that he is not much out of tune with the party rank and file. Anticipating the current shift, he positioned himself so that he now occupies the center. He is expected to remain there after more changes in the Central Committee and probably the Politburo during the next

His power has grown despite the

campaign of reformers at the party congress in July to reduce the influence of individuals and elevate the Central Committee to supreme authority. Instead, the opposite has happened. The Central Committee, expanded and composed largely of novices, seems susceptible to manipulation. Local party first secretaries who were dropped from the committee have returned to power through "the back door" by gaining positions on 11 subcommittees. Mr. Olszowski presides over a special

ad hoc committee that sets the agenda for the Central Committee. A hard-liner in Poland today is not someone who is deaded against Solidarity as such but someone who believes the union is being transformed into a political opposition whose goal is to over-throw socialism. With this belief

ry action the union takes is received as a grab for power. The union is offered a kind of peaceful coexistence that is called the "line of agreement," but only as long as it submits to a plan of power distribution that ensures it

remains subservient to the party. The point of view was expressed by Mr. Olszowski in a speech to workers three days ago. Solidar-ity's purpose, he said, was to bring the country to ruin in order to reach for power that much easier." The party, he said, would continue to uphold "the line of agreement," but "we must not allow actions against the state, the party, Socialism and the social order."

In the final analysis, the hardliner believes that force is a credible option and that the army can be used to break up a political strike or to uphold law and order. It was the emergence of the hardliners that brought a special chill to the government's announce-ment that it was setting up special army units to deal with increst throughout the country,

non-Moslem has lost. As anger and discontent rises daily, the regime increasingly relies on execution, stoning and other violent means to maintain power by terror. If nothing is done sions. But for the first time since path of conservatism and confronthe Polisb crisis began 16 months tation? What would this mean for today, if no concern is voiced in the free world over the atrocities committed in Iran, the ago, the party went on the offen-sive last week and in the process relations with Solidarity and Pofirmly entrenched, practically evecontinuation of that vicious circle of horror will bear tragic and perhaps irrevocable conseland's hopes of emerging from its Stefan Olszowski seemed to bring the country to the morass of conflicts? brink of military rule. There was little doubt that most

I therefore appeal to all International and National Organizations as well as Human Rights activists responsible for the protection and the enhancement of human rights, who have so far remained silent, to make an effort to awaken the conscience of humanity against the anti-human regime in Iran. The indifference of International Organizations and especially of the United Nations and its Human Rights Panel who have allowed the Tehran regime to escape censure makes a mockery of the International Covenant on Civil and Political Rights signed in the past.

The ongoing butchery and abuses are of such magnitude and scale that even the so-called Iranian Government cannot plead ignorance.

The time has come for all, including Human Rights Activists who once had nominated Khomeinl for beatification, to voice now their concern, loudly and clearly. Failure to do so will re-inforce the doubts that have long existed in many minds with regard to the true nature and intentions of such organizations and persons. It could substantiate the idea with millions of Iranians, that indeed, there may very well exist a design to cover up the unprecedented and abominable crimes perpetrated by the theocratic and fascist regime of Iran against its own people.

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Europeans Expected to Urge That U.S. Adopt 'Zero Option' for Arms Talks

By Walter Pincus

Washington Past Service
THE HAGUE — Several European nations will propose this week that the United States adopt a "zero-level option" as its official opening bargaining position in the theater nuclear forces negotiations with the Soviet Union, allied military and diplomatic officials have disclosed. The negotiations are scheduled to begin in Geneva on Nov. 30.

The decision by West Germany, Italy and the Netherlands to press the United States to offer the controversial proposal at Geneva represents a move to defuse the mass protests throughout Enrope against the scheduled deployment

in their countries of a new genera-tion of U.S. medium-range nuclear missiles, the officials acknowl-

Under the "zero-level" ap-proach, the allies would agree not to deploy any of the planned 108 Pershing-2 and 464 Cruise missiles in Europe if Moscow reduced to zero its 250 or so new SS-20 intermediate-range missiles and about 300 older SS-4 and SS-5 mediumrange missiles.

Until now, the official position of NATO has been that the theater nuclear forces talks should result in a balance of theater-range missiles on both sides, with no numbers mentioned.

European pressures resulted in

NATO defense ministers' endorsing the zero option last week at a meeting in Gleneagles, Scotland as a possible negotiating proposal despite U.S. opposition.

The NATO allies, however, do not expect the Soviet Union to accept the zero-option approach, it was learned during interviews with officials in London, The Hague, Bonn and Rome.

Real Deterrents

Many European officials say privately that they would be disappointed if Moscow did so. They see NATO-based Pershing-2 and ground-launched Cruise missiles as real deterrents, weapons that Moscow would fear more than the Europe because they could hit the

But the officials contend that U.S. adoption of the zero option at the beginning of the coming talks is a necessary public relations move. They hope it would link, in the minds of their uneasy constituents, the new long-range U.S. nu-clear-tipped missiles to the Russians' SS-20s. Thus, they hope, the move would counter Soviet propaganda aimed at blocking NATO deployments while Moscow keeps the missiles it already has de-

ployed. When the zero-option approach was raised privately by the West Germans during the Carter admin-

By Stuart Taylor Jr.

New York Times Service

"newly cooperating witnesses," ac-cording to Carol E. Bruce, one of the assistant U.S. attorneys work-

ing with the grand jury investigat-

oped new targets" as a result of this cooperation, she said. "We

Report by Neighbors

correspondents reported that

neighbors and local merchants say

the man accused of attempting to assassinate a critic of the Libyan regime in Colorado last year stayed at an isolated English farm

owned by Mr. Wilson four months

assassination attempt, Eugene A. Tafoya, lived in a bungalow at

Broxmead Farm, about 35 miles

south of London, for three weeks

in February, the neighbors and merchants said. They said he had

been escorted to the farm by a

The State Department said Fri-day that it had received "uncon-firmed reports" that Americans

might have taken part in airlifts to

supply Libyan troops in Chad.
The New York Times reported

last week that pilots and mechan

linked to the suspect in the Colora-do murder attempt. None of those

matters were mentioned in the lat-

Called Libya Link

supervising the Libyan end of the deal Mr. Wilson and Mr. Terpil supposedly struck to supply the Li-

byan government with explosives made in the United States and to

train terrorists to use them at a

near Tripoli in 1976 and

Mr. Schlachter, now thought to

Mr. Schlachter was charged with

business associate of Mr. Wilson.

The man accused of making the

after the shonting.

Meanwhile, New York Times

The investigation has devel-

ing the Libyan venture.

consider it a breakthrough."

istration, Washington rejected it, arguing that, thereafter, the Soviet Union would oot consider the allies serious in wanting some arms

Reagan administration officials have also criticized the zero-option idea, saying publicly that it raises false hopes about what can be achieved through negotiation and adding privately that, should the Russians accept the idea, it would leave them with an advantage in the nuclear forces that remained.

Moscow has argued, with some success among Europeans, that it is only modernizing its older missiles while the United States is

type, thus increasing the nuclear threat in Europe. be included in the initial round of negotiations to include the SS-22, a

The United States and its NATO allies are still working out the final details of mutually accepted positions for the U.S. negotiators to take at the Geneva talks. which will aim at trying to work out arrangements on two key procedural issues, according to offi-

"We have to decide on what we want to limit," a NATO official involved in the process said last week, "and how we want to limit."

The United States, in preparing its approach, has sounded out the allies on the idea of expanding the

Another American Accused of Aiding Libyan Terrorism

new, solid-fueled, mobile missile U.S. intelligence says can that travel 620 miles (about 1,000 kilometers) and thus would be able to hit West Germany from the

According to NATO sources. the Europeans' zero-level proposal and the U.S. plan to include the SS-22 will be put forward at a meeting Monday in Brussels of the Special Consultative Group, the committee charged with working out NATO's oegotiating position. New concern about the SS-22

was a major finding of the recent

six-month review of the Soviet

western Soviet Union.

Adding the SS-22 has alread been discussed by the NATO groups for inclusion in the negoti ating package, but several of the ing problems at this early stage of

arranging the Oct. 14, 1980, attack on the Libyan student, Faisal Za-

gallai, an outspoken critic of Col.

U.S. investigators said last week

that they were unaware that Mr. Tafoya lived on Mr. Wilson's farm last winter. They said the FBI and

Scotland Yard, which had discovered the existence of the farm in

March, had kept it under surveil-

lance in the hope Mr. Wilson might go there himself.

Not Wanted Then

At the time Mr. Tafoya was

there, he was not wanted for arrest

or questioning in the shooting be-cause authorities in Fort Collins

did not have names of possible suspects. The first break in the

case — tracing the handgun used in the shooting to a Florida man who said he sold it to Mr. Tafoya

- was not until March. A warrant

for Mr. Tafoya's arrest was issued in Fort Collins on April 12, ac-

Oadhafi.

Group, at the suggestion of the

U.S. analysts were said to have

suggested that if through the Ge-

neva talks equal limits were placed

on the NATO-based Pershing and

Cruise missiles and the Soviet SS-

20 missiles, the Russians could

simply build more SS-22s and thus

retain the numerical advantage in

warheads aimed at Western Eu-

Reagan administration.



President Reagan and Saudi Crown Prince Fahd at the Cancim conference.

Reagan Steps Up Pressure in Senate To Save Sale of AWACS to Saudis

By John M. Goshko Washington Post Service

WASHINGTON - President Reagan, fighting to save his \$8.5-billion aircraft sale to Saudi Arabia from congressional veto, has said that the sale constitutes the "greatest security" for the United States and Israel, and that senators who refuse to see that "are not doing their country a service."

In comments Saturday upon his return to Washington from the 22nation economic conference in Cancun, Mexico, Mr. Reagan said that he had no intention of withdrawing the proposal for the sale of Airborne Warning and Control System reconnaissance planes and other equipment, and repeated that he was "cautious but optimistie" that the sale would go

CBS News reported Saturday night that at least four Republican senators currently on record as opposing the sale have promised Sen-ate Majority Leader Howard H. Baker Jr. of Tennessee that they will change their votes at the last minute. Republican Senate leader-ship sources, asked about the re-port, quoted Sen. Baker as saying that "it's clear there will be switches," but they added that he will not say at this point how many there

The president plans to mount a final lobbying effort Monday that White House officials said would continue until 5 p.m. Wednesday, when the Senate is scheduled to vote on the sale. Administration officials said Mr. Reagan will see 18 senators in individual meetings before the vote.

Monday Invitations

Mr. Reagan has invited eight senators to the White House on Monday in an effort to reverse the majority now on record as intend-ing to vote for a resolution oppos-

ing the salc.
The eight are Democrats Edward Zorinsky of Nebraska, David

Boren of Oklahoma, Lloyd Bentsen of Texas and Howard W. Cannon of Nevada, and Republicans William L. Armstrong of Colorado, Mark Andrews of North Dakota, Robert W. Kasten Jr. of Wisconsin and Charles E. Grassley

Despite intense administration pressures, 47 of the 50 senators who originally sponsored the resolution of disapproval bave given no public sign that they intend to change their stance. Five others have announced their intention to vote against the sale, making a total of 52 on record as opposed.

If those numbers stand and the Senate follows the lead of the House, which voted 301-111 against the package, it will be the first time Congress has exercised its prerogative to veto a major

Figures Deceptive

The White House and its allies in the Senate Republican leadership contend that the figures are deceptive and that sufficient votes can be switched in time to give Mr. Reagan a majority Wednesday.
The administration's strategy

has concentrated its campaign on freshman Republicans and Democrats who have reputations for being conservative or unpredictable on national security and foreign policy. That approach is evi-dent in the list of senators invited to confer with Mr. Reagan on

Of the Republicans, Scns. Armstrong and Grassley are uncom-mitted, although Sen. Grassley has said he is leaning against the sale. Sens. Andrews and Kasten are sponsors of the disapproval resolu-tion. All have indicated that they would switch only if the president were able to obtain new concessions from Saudi Arabia giving the United States some form of joint control over the operation of the

They were among several sena-

tors who called for Mr. Reagan to seek such concessions when he saw Saudi Crown Prince Fahd in Cancún, Mexico, but apparently he did not even raise the issue with the prince. This is regarded by pressional sources as making it harder for the president to argue to Sens. Andrews and Kasten that sufficient safeguards already have been built into the deal to prevent misuse of the equipment.

Nebraskan Opposed

When the Senate Foreign Relaapproval resolution two weeks ago. Mr. Reagan telephoned Sen. Zorinsky just before the vote in an attempt to win him over, but the Nebraskan voted against the sale.

taken a stand, some of the nine senators still in the undecided column are expected to vote against the sale, and leaders of the opposition have predicted that they could end up with 55 or more votes. In the face of this arithmetic, Mr. Reagan and Sen. Baker have continued to insist that they will have the votes necessary to protect the sale, but they have refused to identify senators they claim will switch.

The Foreign Relations Committee, in a report made public Satur-day, criticized the proposed sale as having "security implications" for Israel and warned that it could escalate the Mideast arms race and draw the Saudis into a future Arab war against Israel.

The report added that some committee members "were deeply perturbed by the repeated asser-tion that the United States was committed to go ahead with the sale based on U.S.-Saudi discus-sions which had not been shared with Congress." It also rejected the administration's contention that the sale is a "litmus test" of U.S.-Saudi relations, saying: "It would appear that the relationship of the two nations should not require

ics recruited by Mr. Wilson were flying and maintaining aircraft in the Libyan air force. Other news articles have said that Mr. Wilson tried to sell re-In addition to those who have stricted computer technology to the Soviet Union and has been

tion near Upperville, Va., before Mr. Wilson hired him to manage his country estate there in early WASHINGTON - A U.S. in-1976.

dictment has been made public accusing a 38-year-old Virginian of shipping explosives to Libya and training terrorists there as part of a Mr. Schlachter traveled from Virginia to Libya "to supervise the terrorist training project" in August, 1976, the indictment said Proconspiracy headed by two former secutors said he had been in Libya, The 10-count indictment re-London, Burundi and other forleased Friday also broadened the eign countries most of the time

charges against the two former agents, Edwin P. Wilson and Frank E. Terpil, to include an alle-The 17-page indictment unsealed Friday by U.S. District Judge John H. Pratt was handed garion that they made a shipment of explosives to Libya in April, down by a grand jury Aug. 6 but kept secret while the State Depart-1977. The the original, April, 1980, indictment of Mr. Wilson and Mr. ment sought to persuade the gov-ernment of Burundi, which has no extradition treaty with the United Terpil on the explosives charges listed the last shipment as August, States, to return Mr. Schlachter to The charges against the new de-fendant, Douglas M. Schlachter Sr., grew ont of the testimony of face charges.

"We're Optimistic"

Those efforts have not yet succeeded. Mrs. Bruce said the unsealing of the indictment would allow the United States to communicate with Mr. Schlachter directly. "We're optimistic" of getting him back, she said.

The indictment superseded the April, 1980, indictment of Mr. Wilson, Mr. Terpil, who has recently been seen in Lebanon and Syria, and Jerome S. Brower, formerly head of a Pomona, Calif., explosives manufacturing and distributing company who pleaded guilty last January and is cooperatng with prosecutors.

Mr. Schlachter is believed to be

running an air freight forwarding company in Burundi, Mrs. Bruce said. She would not say whether he was still believed to be working for Mr. Wilson, who is in Tripoli.

The charges against the three men include conspiracy to violate and violation of law harring export of explosives to be used to kill per-sons and damage property and for-bidding use of commercial air carriers to transport hazardous material. It also alleges violation of the Arms Export Control Act of 1976, which bars export of certain munitions without State Department

Mr. Wilson and Mr. Terpil are also charged with acting illegally as unregistered foreign agents of the government of Libya during 1976 and 1977 and with conspiring to murder a political opponent of Col. Moamer Qadhafi, the Libyan leader, in Egypt in 1977.

All three men could face life in prison and large fines if ap-prehended and convicted on all

The indictment states that "the object of the conspiracy was to supply covertly and for a profit the government of Libya with personnel, explosives, explosive material

and other goods necessary to make explosive devices and teach others how to make explosive devices in a terrorist training project."

Mr. Schlachter "worked hand in hand with the Libyans," Mrs. Bruce said, adding that "the extent of his involvement was not fully known to us or the grand jury when we first indicted Wilson and Terpil."

Neighbors of Mr. Wilson's English farm where Mr. Tafoya reportedly stayed said they did not learn until earlier this month that Mr. Tafoya faced criminal charges. He is currently being held in Fort Col-lins, Colo., pending trial on state charges.

The neighbors and merchants. who asked not to be named, said they had met Mr. Tafoya in the urse of business while he was at the farm and had also met other associates of Mr. Wilson who stayed there. The neighbors were shown photographs of Mr. Tafoya and said that he was the man who had visited the farm for three

Federal investigators looking into the attempted assassination said in July they had found evidence, including bank and telephone records, that linked Mr. Tafoya to Mr. Wilson. On the basis of that evidence, investigators said they believed that Mr. Wilson might have been responsible for

cording to court records. Authorities in Fort Collins, according to officials there, considered charging Mr. Wilson as a co-conspirator but felt they lacked sufficient evidence. These authori-ties said Mr. Tafoya's presence at the farm was a new and significant

Residents living near the farm, which is one of two properties Mr. Wilson owns near Haywards Heath in West Sussex, said Mr. Tafoya was one of many people apparently associated with Mr. Wilson who have stayed on the iso-

lated property.

The last visitor, a business associate of Mr. Wilson named John Heath, departed two weeks ago,

The neighbors said Mr. Wilson had visited the farm only once, two

Largest Publisher Will Sell or Close 3 Papers in Italy

The Associated Press MILAN - The Rizzoli publishing house, citing large debts and using costs, has announced plans to sell or close three oewspapers

and a weekly magazine and to end transmission of nightly news shows on its television stations.

The company's statement said the changes would strengthen its flagship. Corriere della Sera, the country's leading newspaper, which has undergone editorial changes recently and had been relargest newspaper, magazine and book publishing concern in Italy. Rizzoli did not say how many jobs would be lost if the four publications were closed, but unions asserted Saturday that 1,230 per-

sons would be put out of work. Unions representing printers and journalists announced a 24-hour strike that blocked publication Sunday of newspapers in the Riz-

The company said the Milan af-

it makes good

CONNECTIONS VIA MIAMI

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Grand Turk Freeport Rock Swand

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from LONDON

FLORIDA

ported up for sale. Rizzoli is the ternoon paper Cornere di Informazione, the national tabloid L'Occhio and the Genoa daily Il Lavoro would be sold or closed by the end of the year, as would a weekly magazine for children, Corriere dei Piccoli. In addition, the chain said it

would end local nightly newscasts on its television stations. A court recently rejected a suit seeking permission for Rizzoli and other private television operators to make national news broadcasts.

the neighbors said. Mr. Heath, according to a former business asso-ciate of Mr. Wilson, is one of the American ordnance experts Mr. Wilson recruited in 1976 to build terrorist bombs in Libya.

years ago, but that his associates had held business meetings there.

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450,000 March to Protest Arms Buildup

(Continued from Page 1)

Reagan administration to pursue the "zero option" of forgoing all deployment of the Cruise and Pershing missiles in arms talks with the Soviet Union scheduled to begin Nov. 30 in Geneva.
"President Reagan does not own

Britain and Europe," former La-bor Cabinet member Tony Benn told the cheering crowd. He is a leading advocate of removing all of the several dozen U.S. military installations in Britain. In London, many of the signs

carried by demonstrators conveyed more anti-U.S. rentiment than has previously been expressed. "Europe is not Reagan's to Sacrifice," "Yanks Go Home," "We Are Not America's Guinea Pigs" and "U.S. — Traitors to the Human Race" were among some of the slogans. The strongest fire in Paris and, ac-

cording to news agency reports, in Brussels was also directed against the United States.
U.S. officials argue that it is unfair to protest Western European nuclear plans when the Soviet Union can deploy its weaponry with-

Stowaway Freezes to Death United Press International

MIAM! — A young man froze to death after-stowing away in a wheel well of an Avianca jet flying from Calle, Colombia, to Miami, officials said. They said the temperature in the head wall are 77. perature in the wheel well was 73 below zero (minus 58 Celsius) and

out fear of popular demonstra-tions. As if to underscore the argu-ment, the East German news agency ADN reported Sunday that 50,000 protesters marched in East Berlin to complain about NATO weapons, but mentioned nothing about Soviet SS-20s in Eastern Eu-

Lawrence S. Eagleburger, U.S. undersecretary of state for European affairs, complained Saturday in Paris that Western Europeans tend to ignore this in their assessment of East-West relations. He said there is a "general tendency in the West to give the Soviets the benefit of the doubt while American initiatives are considered with suspicion and hostility."

Mr. Eagleburger's comments were contained in a statement submitted to an independent disarmament committee meeting in Paris during the weekend under the chairmanship of former Swedish Premier Olof Palme and with the participation of former U.S. Secre-

tary of State Cyrus R. Vance.
The official U.S. stand was endorsed Sunday by French Defense Minister Charles Herru, demon-strating France's strong endorse-ment of the Reagan administration plans to strengthen NATO's nuclear might while at the same time negotiating for mutual arms reduc-

There are those who want to disarm inst one part of the world," Mr. Hernu said in a French television interview. "We Socialists say

France's Socialist government has emerged as Europe's strongest backer of the Reagan administra-tion plans for nuclear rearmament. In addition, President Francois Mitterrand has gone ahead with French experiments on neutron weapons started under his predecessor, Valery Giscard d'Estaing.

S. Africa Warns

CAPE TOWN - The South Afnican government has threatened to withdraw the marriage powers of Presbyterian clergymen if they dely apartheid laws by marrying

Africa two weeks ago urged clergy-men to marry couples irrespective of race or color. Mixed marriages are specifically banned under the

the church call as "malevolent incitement" to church officers to challenge the power of the state. He said that he was "astonished" at the decision after a tacit agreement had been reached church leaders in recent talks. Other church leaders, however, backed the Presbyterian position.

gabe has threatened to imprison both former prime ministers if they are found guilty of subver-sion. No formal charges have been

On Intermarriage

couples of different races.

The general assembly of the Presbyterian Church of Southern country's race laws. Interior Minister Chris J. Heunis on Friday night described

be in Burundi, has no known connections with any intelligence agency, according to prosecutors. They said that he had been working at a family-owned gasoline sta **Mugabe Asserts** Former Leaders

The Associated Press
BULAWAYO, Zimbabwe Prime Minister Robert Mugabe has accused two former prime ministers of anti-government activity, but he declined to give details and said the country would learn later what he meant. On a tour Saturday of the west-ern province of Matabeleland, Mr.

Undermine State

Mugabe told reporters that his government had evidence that Ian Smith and Bishop Abel Muzorewa were involved in anti-government Mr. Mugabe, who has made similar accusations in the past, would not give details, saying that "sooner or later, the country will know what we mean." Mr. Mn-

filed against either man. Matabeleland solidly supports Joshua Nkomo's Patriotic Front, the largest minority party, and Mr. Mngabe strongly pushed his goal of a one-party state. But he promised that the one-party sys-tem would not be imposed against the wishes of all the people. About 12,000 supporters, mostly of his own Shona tribe, which makes up 80 percent of the population, heard Mr. Mugabe speak at a foot-

7 Miners Killed in Poland United Press Interna

WARSAW - An explosion set off by welding equipment used in a coal mine killed seven miners and injured another on Saturday in Zabrze, 185 miles (300 kilometers) south of Warsaw in the heavily industrialized province of Silesia, the

Budget Cutting Plan Is Threatening U.S. **Exchange Programs**

By Barbara Crossette New York Times Service

WASHINGTON - A round of administration budget cuts threatens to curtail sharply, or abolish, several of the country's leading international education and cultural exchange programs, according to members of Con-gress, scholars and program administrators.

Among the most severely affected will be the Fulbright fellowships for scholars and lecturers. Based on figures sent to Coogress Friday, the Fulbright program would have its budget for the next fiscal year cut from \$48.1 million to \$22.5 million. Grants would be to \$27.5 million. Grants would be reduced by 40 percent and the current exchanges with 120 nations would be cut to 59, ending most programs in the Third World, according to administrators of the

program.

The Fullright fellowships, now administered by two private, non-profit organizations, would be absorbed into the U.S. government, looked the autonomy they have enlosing the autonomy they have enjoyed since their inception nearly

35 years ago.
"This is coming very close to ending the Fulhright program," said Richard E. Berendzen, presisal Richard E. Be dent of American University here and a leader in such academic ex-

In the Senate, the appropriations subcommittee dealing with the State Department had previously voted to instruct the administration to contioue the growth of international exchanges.

The educational exchange pro-

grams of the ICA [International Communications Agencyl are a far better investment in American foreign policy than our foreign mili-tary aid program, "Sen. Lowell P. Weicker Jr., Republican of Con-occurut and head of the subcommittee, said Friday. Congressional aides who have

been studying the figures say the new cuts also will reduce by about 70 percent the support of privatesector programs like Operations Crossroads Africa, the Asia Society and the National Committee

on U.S.-China Relations.

The International Visitors program of the U.S. International Communication Agency will be cut 55 percent, according to the agency's own impact statement. Support for a number of international student assistance groups will be terminated, the budget of the East-West study center in Hawaii will be cut and the acquisition of films and works of art for showing abroad will be curtailed, according to the agency.

The cuts have been made in a revision of the State Department authorization hill for fiscal 1982 munication Agency, which over-

sees the Voice of America and Radio Free Europe as well as international cultural and education exchanges supported by U.S. government grants, is included in the State Department authorization, which is separate from foreign aid legislation.

The State Department authorizatioo bill is expected to reach the floor of the House of Representatives this week . According to Rep. Edward J. Derwinski, Republican of Illinois, House leaders on both sides will attempt to have the bill brought to a vote without amendment. A previous version of the bill was defeated last month by the Rep. Derwinski, who was pres-

ent at a meeting on the cuts with Charles Z. Wick, director of the International Communication Agency, and David A. Stockman, the White House budget director, said in an interview Friday: "I told them it is ludicrous to be talking about a Radio Free Cuha when we are cutting all these things, includ-ing the Voice of America and Ra-dio Free Europe. I reminded Mr. Wick what Winston Churchill once said about not being elected to dismantle his majesty's empire." Rep. Derwinski hopes to reopen debate on the hill before a vote next week.

Responses from scholars across the country combined shock and disbelief. "I can't tell you how strongly those of us in higher edu-cation feel about this," said Mr. Berendzen, the American University president, who is chairman of the National Commission on Foreign Student Policy of the American Council on Education.

"I almost cannot overstate it. Our scholars, our future political leaders, must be talking with future leaders of the Third World. This action will isolate us from the people we should be getting better acquainted with. What I find particularly ironic is that this should come, however accidentally, while President Reagan is in Cancúo talking to leaders of the nations of

Derek C. Bok, president of Harvard University, said he knew of oo greater investment "dollar for dollar" than the exchange of scholars. "To cripple these programs oow to save a relatively small amount of money seems to me a particularly strange step to take,"

Mount St. Helens Activity United Press International

VANCOUVER, Wash. - Scientists say they expect another conexplosive eruption from Mount St. Helens within two weeks that will probably increase the size of the lava dome growing

FBI Probes Captured Radicals' Links to Foreign Groups

From Agency Dispatches
NEW YORK — The FBI says it
is investigating the possibility that
radicals accused of the robbery of an armored truck near here last week have links with terrorist groups elsewhere, including the Irish Republican Army. Fout persons, including Kathy Boudin, a Weather Underground

Eve Rosalm, inside a car, after being freed on bail in New York in a case stemming from an anti-South African protest. She owns a car police say was used last week in armored-truck robbery.

By Philip J. Hilts

Washington Past Service
WASHINGTON — The latest

.S. research in genetle engineer-

ing may wind up illegally in the

hands of a foreign company for its exclusive use through the recent \$50-million deal between Massa-

ehusetts General Hospital and a

West German ehemical company, according to a report by the Gen-

The report, which reviewed the

agreement between the Hoechst company and the hospital, the big-

gest genetic-engineering arrange-

ment yet, is part of a growing re-sistance to such collaboration be-

tween industry and research hospi-

tals and universities. Hoechst agreed to pay the bospital \$50 mil-

llon over 10 years in return for the

right to exclusive patent licenses

on any research coming out of the

The GAO report, which was made available on Thursday, said

that under the contract it may be

possible for Hoechst to "gain title, in violation of the [law], to inventions that have been partially funded with federal dollars."

Hospital officials say the two funding sources will be kept sepa-

rate so that no conflict can arise

and so that the contract is written

fully within the U.S. government

They also hoped that their con-

tract with Hoechst would become

a model for other university-indus-

try agreements, because it allows researchers to publish their

Hoechst-funded research freely af-

ter a 30-day review by the West German company. It also allows the hospital to have full control

hospital.

eral Accounting Office.

fugitive, have been jailed and charged in the attack, in which two police officers and a security guard were killed last Tuesday near Nyack, corth of New York

Miss Boudin, 38, and the others were arraigned Friday and ordered held without bail on charges of second-degree murder, the most serious possible in New York state. First-degree murder requires the death penalty, which has been outlawed in the state.

Police were searching for three to five suspects who escaped after the attack, which police said was carried out by the May 19 Coalition, a new group believed to unite the long-dormant Weather Under-

Gene Research Accord U.S. Planning

over all research done under the Hoechst grant.

Joseph Martin, acting director general of the hospital, said he thought the GAO's report was generally very favorable on the con-

tract and that the hospital had

made a clear separation between research funded by Hoechst and research funded with U.S. money.

A lawyer who worked on the contract said there probably will be some difficulties when Hoechst

researchers work on projects with federally funded researchers. But those difficulties cannot be pre-

vented by the wording of a con-tract unless it forbade Hoechst-paid researchers from even talking

The GAO also said that the pos-sible conflict of interest between

U.S. government money and for-

cign corporate money should be spelled out in detail before any more federal health research funds are given to Massachusetts Gener-

What is so offensive about the

Massachusetts General-Hoechst arrangement is that taxpayers are

paying five times as much as

Hoechst to support the hospital, \$25 million a year vs. \$5 million a year, said Rep. Albert Gore, Democrat of Tennessee, whose

subcommittee asked for the GAO

that might come out of work at the

hospital will be licensed for the ex-

clusive use of Hoechst under its contract with the hospital, Rep.

tions, particularly foreign corpora-

tions, to 'skim the cream' from the

research base we have created."

"It would be unfair for corpora-

Despite this, some of the patents

Provokes Fears in U.S.

Army. The search has turned up a string of safe houses in the New York area stocked with weapons, disguises and diagrams of police stations apparently targeted for at-tack, authorities said.

Series of Arrests

It has also resulted in a series of arrests of fugitives sought in crimes including the \$1.6-million armored truck holdup near Nyack; the creation of a "bomb factory" in Hoboken, N.J.; and the 1979 prison hreak of Joanne D. Chesimard, a leader of the Black Liberation Army.

The Weather Underground, which sprang from the radical Weatherman Faction of the Students for a Democratic Society, claimed responsibility for a variety of acts of political sabotage in the early 1970s. The Black Liberation Army is believed to have split from the Black Panthers in 1971 and dedicated itself to killing police-

To Redefine

Hypertension

Many 'Normal' Adults

Would Be Reclassified

By Cristine Russell

Washington Post Service
WASHINGTON — A national

advisory panel is preparing a new definition of high blood pressure

that suggests that roughly half the adults in the United States have a

higher tisk of developing heart dis-ease, stroke or kidney failure than

previously thought.

If adopted, the oew definition

would place a whole new group of

individuals previously considered as having "normal" blood pressure in a "greater risk" category. The change also could have ma-

jor practical implications in in-

creased medical treatment of high

blood pressure at previous border-

line levels, said Dr. Darwin La-

barthe, a University of Texas pro-

fessor who beads the group in charge of the new definitions.

Dr. Labarthe's nine-member

working group — sponsored by the National High Blood Pressure Coordinating Committee, a gov-ernment-backed board with broad

representation from public and private medical organizations— has agreed to lower the numerical

level of blood pressure considered

This would substantially enlarge

sure, said Graham W. Ward,

the oumber of people who should be concerned about their blood

an official of the National Heart,

many as 15 million Americans would fall into a newly defined category of intermediate risk that would suggest a oeed for added

medical surveillance. About 25

million more people would fall

into a broader category of higher and potentially reducible risk in

which some form of treatment,

whether diet or drug, might be

considered. This group previously was regarded as suffering from borderline hypertension or high

blood pressure.

Under previous definitions, 35 million individuals are already considered to be in oced of treat-

The working group is expected to finish its draft of recommenda-

ions by the end of the year, but

nai scrutiny by the national coor-dinating committee until spring. The move to redefine high blood

pressure, according to both Mr. Ward and Dr. Labarthe, is based

on two developments. First, data

accumulated during the last dec-ade — particularly long clinical tri-als in the United States and other

countries involving large numbers of patients — have confirmed that there are benefits from the treat-

ment of high blood pressure at

lower levels.

Second, there has been a long-standing gap between public health workers and practicing physicians as to how high blood pressure should be defined. The World Health Organization has developed one standard of borderline and definite hypertension, while health workers have talked in terms of mild, moderate and severe hypertension.

hypertension.

"The two categories don't fit together," said Mr. Ward. One person's "moderate" is somebody
else's "severe," and "mild" and

borderline" may also differ.

Blood pressure, the force created

by the heart as it pumps blood through the body, is measured by two oumbers: the upper, or systol-

ic, represents the pressure when the heart contracts; the lower, or

diastolic, is the pressure when the

heart rests between beats.

A reading of 120 over 80 --- written as 120-80 --- has generally been

considered an average blood pres-sure for adults. The WHO has de-

fined borderline hypertension as 140-90 to 160-95 and definite as

For practical purposes the lower

or diastolic oumber has been used to categorize high blood pressure.

Mild hypertension has been de-fined as a diastolic reading of 90 to 104, moderate 105 to 114 and se-

of risk a person would face about a l-in-10 likelihood of death from any cause during the next eight years, as compared with a 1-in-20

chance for a person at the lowest

160-95 and above.

ower levels.

Mr. Ward estimated that as

Lang and Blood Institute.

to be significant in terms of risk.

At a news conference Saturday, Kenneth Walton, head of the FBI's New York office, said his agency was investigating possible links between the May 19 Coali-tion, the IRA and other terrorist organizations. "We are looking at it as part of our ongoing investiga-

Asked if there was a oetwork linking the American radicals to the Puerto Rican separatist group FALN, he replied: "I don't think there is any doubt about that ... There is association and there is

He said the May 19 group was responsible for ambushes of at least three armored trucks in recent months. In one of the holdups, a security guard was slain at a shopping center in June, he said. Mr. Walton said the Weather

in the past week. William M. Kunstler, an activist

Underground has "got to be in traction" as a result of the arrests

attorney who has agreed to repre-

might use the Nyack incident to blame any number of unsolved crimes on radical terrorists, making "it a self-fulfilling prophecy that there is a widespread radical terrorist movement in the United

On Friday, Jeffrey Carl Jones and Eleanor Stein Raskin, two reputed Weather Underground leaders who were sought in connection with the operation of a Hoboken with the operation of a froboxen bomb factory raided in 1979, were arrested at their Bronx apartment. They were arraigned in U.S. District Court on Saturday and ordered held on \$200,000 ball each.

Police said they were investigating possible ties between Mr. Jones and Miss Raskin and the four per-sons being held in the armored truck robbery. Mr. Jones and Miss Boudin were among 12 Weather Underground figures indicted in 1970 on charges stemming from the "Days of Rage" anti-war dem-onstrations in Chicago the year be-

In addition, police were investi-

group accused in the Nyack attack and two Black Panthers involved in a shoot-out with police in " West of the

Queens on Friday. One was killed and the other was arrested. Police said the captured suspect. Nat Burns, 36, was among the four persons who entered a state prison in Clinton, NJ., in November, 1979, and held two guards hostage at gunpoint while Miss Chesimard

Miss Chesimard was serving a life sentence for the murder of a New Jersey state trooper in 1973. Police said Mr. Burns had been in-dicted in New York in 1968 for a series of bombings but had eluded

The owner of one of the getaway cars in the Nyack robbery, Eve Rosahn, was arraigned last Thurs-day on riot and assault charges stemming from a violent demonstration at New York's Kennedy airport against the U.S. tour of the South African rugby team. She was freed on \$10,000 bail.

A Hat Is a Hat, U.S. Official Rules In Honda Union Organizing Case

WASHINGTON — The National Labor Relations Board called it "the hat removal incident." Honda of America Manufacturing Inc., which makes motorcycles in Marysville, Ohio, called it a regrettable misunderstanding. The United Auto Workers union, which wants to organize Honda's only U.S. plant, called it a victo-

On May 16, Matthew Holtzapel, a boiler operator and union

Foreman Eugene Fryman told Mr. Holtzapel to remove his hat.
Mr. Holtzapel, who carries around a book of regulations on union
organizing, said the National Labor Relations Act allowed him to
wear the hat. Mr. Fryman took the matter to superiors, who told
Mr. Holtzapel to wear a Honda hat or oo hat at all.

The union filed an charge of unfair labor practices against Hon-da, and now Thomas D. Johnston, an administrative law jodge for the labor board who heard the case, has ruled that the company

hat interfered with production any more than a Honda hat would.

"We regret that the case involving our traditional uniform policies has caused so much trouble," a Honda statement said. Company officials ooted, however, that the decision is subject to review by the five-member labor board.

organizer at the Honda plant, wore his blue union hat to work along with his white Honda uniform. The company's employee handbook has a polite rule on such things: "We believe everyone dressed in white will project a favorable image of cleanliness to anyone visiting our plant.

could oot prove its contention that a union or other nonuniform

House Panel Sets Hearings On Easing CLA Restrictions

WASHINGTON — The chairman of House Judiciary Subcommittee on Civil and Constitutional Rights, Rep. Don Edwards of California, has announced that he will open hearings this week on the Reagan administration's proposed order to lift restrictions on the domestic activities of the CIA.

The controversial order, a draft of which has been circulating on Capitol Hill since late last month. has been the subject of secret negotiations between administration officials and members of the House and Senate intelligence committees,but the announcement Friday represents the first attempt to debate the issues in a public forum.

Rep. Edwards, a Democrat, said he decided to move ahead with public hearings despite attempts by the House Permanent Select mmittee on Intelligence to get him to hold off.

They said that they were work-ing it out behind closed doors with the CIA and the intelligence agencies, that concessions were being made," Rep. Edwards reported. He said be saw no justification for

such secrecy.

The public is entitled to know about what the intelligence com-

munity has in mind for activity in the United States," he said.

The proposed executive order, which has drawn sharp criticism from a number of lawmakers, would authorize the CIA to conduct the state of the state duct covert operations in the Unit-ed States, to infiltrate and influ-ence domestic organizations and to resume many of the ties it had with state and local police agencies be-fore the congressional and executive branch investigations of the mid-1970s.

Administration officials have denied that they intend to begin domestic spying on any wide-spread or excessive scale, but they assert, as one anonymous spokesman was quoted as saying that "President Carter went too far in protecting civil liberties. He erred in placing too many restrictions on the intelligence community." According to a study by the

staff of the Senate Select Committee on Intelligence, the draft would give the president "a sweeping grant of authority" to order the intelligence agencies to conduct any kind of operation he might want,

at home or abroad.

"Currently, it is the FBI and the attorney general who are responsihle for intelligence activities within the United States," Rep. Edwards said. "I believe this is proper. There is oo indication the FBI has not been doing its job."

Kule Kequiring Auto Crash Gear Rescinded in U.S.

New York Times Service
WASHINGTON — The Reagan
administration has withdrawn a
regulation that would have required automobile manufacturers to begin putting air bags or other automatic crash-protection devices in vehicles oext year.

Raymond A. Peck Jr., head of the National Highway Traffic Safety Administration, said Friday the safety standard was rescinded because the manufacturers were proposing to meet it by putting au-tomatic wraparound belts in cars and that these devices would be ineffective because people could detach them.

The automobile manufacturers decided to use the "passive" belts rather than the air cushion, which is concealed and inflates nearly instantaneously opon heavy impact, because the air bags would be more expensive. The air bags would cost \$700 compared with

would cost 5/00 compared with \$100 for the passive belts.

The safety devices, especially the air bag, have been eagerly sought by the insurance industry. The General Motors Corp. which had recommended the rescinding of the safety standard, praised the announcement as "consistent with the best interests of the consumers who do not want to be forced into wearing automatic belts."

Reagan Committee Uses Move **His Administration Opposes**

WASHINGTON - President

Reagan's campaign committee is using the Freedom of Information Act many ways that U.S. Justice Department views with official dis-

The case involves the Reagan-Bush committee's efforts to block the Federal Election Commission from moving ahead with an audit that is expected to accuse the 1980 Reagan campaign of election-law violations and call for repayment of nearly \$1.6 million in U.S. gov-

But the working group's new definition would place the cutoff point for minimal risk at a diastol-ic of 80. Mr. Ward said. He said The campaign committee, which filed for an injunction Aug. 10, prefaced its suit with a series of requests under the Freedom of Inscientific data shows there is a formation Act for auditors' work doubling of risk in the range be-tween 80 and 90, an area previouspapers and other documents used by the commission in an interim audit report recommending the big ly considered normal.
This means, said Mr. Ward, that
in this new intermediate category

The committee's attorneys then went into U.S. District Court here to complain that the election commission had failed to come up with the records within the deadlines provided by law. They maintained they needed the records to make a proper response to the findings. The committee has also continued to make new requests under the Freedom of Information Act while the lawsuit is pending.

According to the Reagan admin-istration, that should not be permitted. In Senate testimony this month, the Justice Department assailed the use of the act to avoid rules of discovery and hamstring government agencies in adminis-

urging Congress to end the practice, and legal proceedings.

Urging Congress to end the practice, the Justice Department complained that "most government agencies report significant oumbers of such requests, whose purpose is to avoid applicable rules of discovery and sometimes. where the government is a party, to harass and burden government

The Federal Election Commission says it refused to provide the campaign with some documents because, for example, knowledge of the contents "would enable a committee to hide or obscure ap-parently improper contributions.

Pacifist Drive Escalated by U.S. Catholics

Bishops Characterize Arms Race as Immoral By John Dart

LOS Angeles Times Service

LOS ANGELES --- Several

Roman Catholic bishops in the United States have recently escalated their opposition to the toughened U.S. stance in the nuclear arms race, in particular the San Francisco archbishop, who condemned it as "immoral."

The choice presented by them to the nation's 50 million Roman Catholics is: Who is wiser about the maintenance of peace - President Reagan or Pope John Paul II? The pope's warnings against amassing ever-greater ouclear weaponry, delivered to the United Nations and to an audience in Hiroshima, are frequently quoted in contrast to the Reagan administra-tion's policy of trying to deter the Russians through improved U.S.

capabilities.

Archbishop John R. Quinn of San Francisco surprised partici-pants in a Mass on Oct. 4 with a strongly worded pastoral state-ment saying, "The teaching of the church is clear: Nuclear weapons and the arms race must be condemned as immoral." He received a standing ovation at the end of his statement and aides said the nearly 300 letters received since then have been virtually all favorable.

Mr. Quinn said modern poper have recognized the right of nations to responsible self-protection to guard against unprincipled and dangerous enemies.

'Moral Problem'

"The moral problem arises, defensive weapons are no longer fully predictable or within our control, said Mr. Quinn, a former president of the National Conference of Catholic Bishops.

Because of the widespread destruction emissioned destruction emissioned destruction.

struction envisioned in a U.S.-So-viet conflict, Mr. Quinn contended that Catholic theoretical sanctions for "just wars" no longer apply to-

day.
"Strategic ouclear weapons are designed precisely and exclusively designed precisely and their to destroy entire cities and their populations," he said. "It is hard to imagine a more lethal instru-ment of indiscriminate mass depopulations.'

Mr. Quinn quoted from John Paul's address early this year in Japan: "To remember Hiroshima is to abhor ouclear war. To remem-ber Hiroshima is to commit oneself to peace ... Let us promise our fellow human beings that we will work untiringly for disarma-ment and the banishing of all nuclear weapons; let us replace vio-lence and hate with confidence

Other Critics

The National Council of Catholic Women early this month overwhelmingly approved a resolution that incorporated the pope's words to work tirelessly for disarmament and the abolition of outless the second expenses of the second exp clear weapons. A proposed amend-ment to "also support the Reagan administration's military policies ... in its fight against Commu-nism" was ruled out of order because of the contrast with the intent of the resolution.

Earlier, several bishops had been more specific in their opposi-tion to the arms race and its ef-

Bishop L. T. Matthiesen of Amarillo, Texas, urged employees to quit their jobs at the nearby Pantex plant, which does final assembly for nuclear bombs, including the neutron bomb.

 The two Catholic bishops of Montana, Elden F. Curtiss of Helena and Thomas J. Murphy of Great Falls-Billings, said in September that they would oppose oot only the deployment of the MX missile in Montana but also "the MX missile sysem itself, since it contributes to this escalation [of the ouclear arms racel." They cited the pope's charge in his UN speech two years ago that the desire to be ready for war means being able to

 Archbishop Raymond G.
 Hunthausen of Scattle, an advocate of unilateral disarmament, called for Christians to protest the arms race by refusing to pay half

leaves us with only one moral po-sition in this tragic situation, the position of unilateral disarmament with trust and reliance on the Lord

HEN YOU TELL'EM BACK HOME HOW YOU "REINED" IN RELAND, SAVE SOME IRISE POUNDS ON THE CALL.

The Irish have a way of making you feel like a queen. They put you up in one of their ancient castles. Invite you to lavish medieval banquets at night. And show you the most beautiful countryside in the world by day-in a jaunting cart, no less (with you holding the reins). But before you share it all with the folks back home, check out these pound-saving tips.

SAVE ON SURCHARGES

Many hotels outside the U.S. charge

exorbitant surcharge fees on inter-

national calls. And sometimes the

fees are greater than the cost of the

TELEPLAN, the way to keep hotel

call itself. But if your hotel has

surcharges reasonable, go ahead and call. No Teleplan? Read on! There are other ways to save.

SAVE WITH A SHORTE

In most countries there's no threeminute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back. The surcharge on short calls is low. And you pay for the callback from the States with dollars. not local currency, when you get

your next home or office phone bill.
SAVE THESE OTHER WAYS Telephone Company credit card and collect calls may be placed in many

countries. And where they are. the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

SAVE NIGHTS & WEEKENDS Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable.

You'll save a lot of green when you follow these tips. And a lot of gas when you travel by jaunting cart.



Reach out and touch someone

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Archbishop Hunthausen stirred debate with his contention that the failure of disarmament talks

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UN Is to Begin Process This Week of Electing New Secretary-General

By Michael J. Berlin

UNITED NATIONS, N.Y. -The United Nations begins the process of electing a new Secretary-General on Tuesday, in a contest that pits the superpowers against the Third World and may prove to be the institution's most important decision of the year.

So far, there are just two official candidates - Anstria's Kurt Waldheim, who is seeking an unprecedented third five-year term, and Tanzanian Foreign Minister Salim A. Salim, who has the formal endorsement of more than half the

UN's 156 members. But there are at least a half-dozen dark horses ready to jump in if a deadlock develops, a strong pos-

Political Authority

Although the political and administrative authority of any secretary-general is severely limited by the charter and the institutional evolution of the United Nations. there remains the power to build or to erode the usefulness of the institution itself.

Only the most intractable issues can come to the secretary-general, and on these his ability to act as an intermediary is often limited by the unreality or the political bias of the tasks assigned him by UN. legislative bodies on issues ranging from Afghanistan to South-West Africa (Namibia).

But the secretary-general can still speak out publicly, demon-strate his effectiveness and innovation as intermediary, catalyst, conscience — or at least as dens ex machina. And so the selection of a new person for the job is always a watershed for the United Nations,

and potentially for the world. Mr. Waldheim has conducted a masterful 10-year balancing act to satisfy the demands of the rival power blocs, but the feeling has grown among Third World diplo-mats that it is time for one of their own to take the leadership of the organization they see as the chief international mechanism for the advancement of their common in-

The secretary-general's innate caution is believed to have earned him the support of both Washington and Moscow.

The drama begins when the names of Mr. Salim and Mr. Waldheim are voted on in secret ballots at Tuesday's closed meeting of the 15-nation Security Council. Each man is expected to win the necessary majority of nine on the first ballot, because council members may vote for more than one

But the expectation is that each will be vetoed - Mr. Salim by the United States and Mr. Waldheim

There is serious opposition to Mr. Salim in Washington from some observers who perceive him as an anti-American radical, a perception not present during the Carter administration. Others in the Reagan administration remember Mr. Salim leading the cheers in the UN aisles when Peking won the UN's China seat in 1971, much to the discomfiture of George Bush, then UN ambassador and

now vice president. The Russians are thought to fear that Mr. Salim — an energetic and intelligent diplomat with long UN experience — will prove to be an activist as secretary-general, and that he is too close to Peking. But Moscow is expected to let the United States apply the coup de grace, to preserve its public record

of support for the Third World. The Chinese, who have always preferred a Third World candidate, have let it be known that they will veto Mr. Waldheim at least so long as Mr. Salim continues to hold his nine-vote majority it is hold his nine-vote majority. It is generally believed by diplomats, however, that Peking will give in before Washington does.

Many of Mr. Salim's votes—

such as those by France, Ireland and Spain, which are expected to support both candidates on the first ballot - could erode on succeeding rounds, dropping him below the necessary mine, and prompting China to withdraw its veto of Mr. Waldheim.

That would break the deadlock and permit Mr. Waldheim to triumph in the council. In the past, such big-power decision has been conclusive. The 156-nation assembly, which must approve the coun-cil nominee (also by secret ballot), has been no more than a rubber

But this year, for the first time, Mr. Salim has emerged as a group candidate, rather than an individual running on his own merits. He won the formal endorsement of the Organization of African Unity in Jime, and that of the 83-nation Non-Aligned Movement late last

Not all of that support is solid, however, especially in a secret bal-

Nevertheless, Algeria and other Salim backers have been lobbying for votes to have the assembly reject a council recommendation of Mr. Waldheim's candidacy. And the Latin Americans could join African nations to create such an assembly majority to promote the deadlock they seek.

Should such a stalemate arise, either in the council or by an assembly rebellion, the dark horses



PICASSO CELEBRATION — While Madrid marked the 100th anniversary of Picasso's birth by displaying the painting "Guernica" in Spain for the first time, the paint-er's birthplace, Caltojar, celebrated with wall paintings.

Basque Communists Reject Party Opposition to Merger

MADRID — Leaders of the Basque Communist Party have rejected directives from national party headquarters against a proposed merger with a radical Basque na-tionalist party, saying: These measures initiate the rupture of relations between" the two Commu-

The proposed fusion with the leftist Basque nationalist coalition Euskadiko Ezkerra has divided Basque Communists and has worried the national party's leader-

Australian Prelate Attacked at Mass

United Press International SYDNEY - The Roman Cathobe archbishop of Sydney, Cardinal James Darcy Freeman, was at-tacked by a man with a knife concealed in a bunch of flowers in St. Mary's Cathedral. Cardinal Freeman, 74, was not injured.

The cardinal had completed Mass and was moving to the side of the altar Saturday when the man came out of the congregation and lunged at him, the cathedral press secretary said. Priests and members of the congregation held

the man until police arrived.

A police spokesman said the man had been charged with assault and carrying a "cutting instru-

authority, national Communist leaders annulled sanctions imposed by the Basque party against members opposed to the merger. But the Basque party, meeting in Bilbao, rejected the directives Saturday as illegal interference in its affairs, and accused the national leaders of siding with a minority

fighting the merger. The two Communist groups now seem headed for a final break, Basque party sources said.

In Madrid, meanwhile, Spain's opposition Socialists gave party eader Felipe González a mandate Saturday to pursue his bid for off-ice against the ruling centrists. Mr. González, 39, was unanimously reelected secretary-general of the Spanish Socialist Workers Party at the end of its 29th congress.

Opinion polls have put the Socialists ahead of the governing Union of the Democratic Center, which has been in power since 1977. The next general election is due in 1983, but dwindling support for the centrists has increased speculation that Premier Leopoldo Calvo Sotelo may call early elec-

Four bombs exploded outside public buildings in Barcelona and Alicante on Saturday, and the Caalan separatist organization Terra Lliure (Free Land) claimed responsibility. Police said the bombs caused some damage but no casu-

Being Set Up For Pakistan

Council Chosen by Zia May Replace Assembly

The Associated Press LAHORE, Pakistan - President Mohammed Zia ul-Haq has ancounced that an advisory council will be established next mooth to determine a framework for the

country's political system. Members of the council will be chosen by the president and his aides, the government press agency APP said Saturday.

Gen. Zia said at a press conference that a cross section of the country's population would be represented in the advisory council, or majlis-i-shoora as it would be known here. But he did not indicate whether the body would go beyond expressing opinions and propose specific changes in legisla-

The concept of an advisory council has been raised several times by President Zia's military regime, and there has been specu-lation that the aim is for it to replace the National Assembly,

which has not met since 1977.
While advocating the formation of the council, Gen. Zia during the last year has questioned the ap-propriateness of Western-style democracy in an Islamic society such as Pakistan's. Critics have suggested that he wants to do away with the parliamentary system because of the possibility that he would be swept from power if a free election

Gen. Zia came to power in a coup in July, 1977, that overthrew Prime Minister Zulfikar Ali Bhutto. Gen. Bhutto was was hanged two years later after he was convicted in a murder-conspiracy case. Shortly afterward, Gen. Zia can-celed promised elections and banned political activity.

Family Faces Suit KARACHI, Pakistan (Reuters)

— The military government has started legal proceedings against the family of Mr. Bhutto to recover about five million rupees (\$500,000) it says he misappropri-

ated while in office. Authoritative sources said sumnonses had been issued for Mr. Bhntto's widow, two sons and two daughters to appear before a court in the Sind region next month to answer the charges. The sources said the government case involved two separate amounts of money "dishonestly misappropriated" by Mr. Bhutto while he was prime

New Jersey Fire Kills 11 The Associated Press

HOBOKEN, N.J. - Eleven persons, including seven children, died Saturday in a fire at a fivestory apartment huilding, police said.

Special Panel Carter Drops Plans to Sue for Libel: Over Washington Post Gossip Item

WASHINGTON - Former President Carter says that he is dropping plans to sue The Washington Post for libel over a gossip item it published in its Ear column on Oct. 5.

Mr. Carter said he reached the decision after receiving a letter of apology and retraction Friday from the publisher of the newspaper, Donald E. Graham

In a statement released by his Washington attorney, the former president said that the item had caused "considerable coocern" to him and his wife, Rosalynn. He added: "Fortunately, because of my previous position, I had access the public news media and could draw attention to my prob-lem. Many victims of similarily false allegations do not enjoy this opportunity, but suffer just as se-

The story that led to the dispute between the former president and The Post concerned rumors that Blair House, the government guest house, had been bugged when Ronald Reagan stayed there be-fore Inauguration Day when he was president-elect.

Mr. Graham's letter of apology apology:

said that the gossip item was hased on the account of a source whom the paper believed to be credible at the time of publication. The Post

has not identified its source. In his statement Saturday, Mr. Carter criticized the paper for tak-ing two and a half weeks to retract its story. He also raised the question of whether The Post should be carrying a gossip column.

Editorial Challenged

"The decision by the publishers of a nationally and internationally influential newspaper like The Post to print a regular column which is widely known to be based on rumor and gossip adds unwarports," the statement said. "Even an instant and enthusiastic effort by newspaper editors to correct errors can never be completely successful in erasing the damage caused by unfounded gossip."

The Ear, which had been a pop ular feature of the defunct Washington Star, has been running in The Post since last month,
Mr. Carter's statement also took

which The Post made its first formal response to his demand for an

The Post editors to be untrue. Having seen the effects oo my family and friends in this and other instances that publication of false allegations can have. I could not allow such a claim to go unchallenged ... Yesterday's letter from Mr. Graham now makes clear that The Post does not claim the right to print rumors without verification of their accuracy." Jody Powell, who was Mr.

the right to publish rumors that

are damaging to innocent people

even if the rumors are believed by

Carter's press secretary at the White House, said Saturday that the president decided not to proceed with a libel suit because concluded that the things that most concern him about this case could be addressed outside of a commission.

Mr. Powell said that he and Mr. Carter hoped the incident would receive a full airing in journalism reviews and in the community at large. "The president's hope is that without the threat of legal action hanging over its head. The Post will deal fairly and straightforwardly with some of the issues raised by this case." Mr. Powell

Argentines Object to U.S. Award Being Given to Jacobo Timerman

By Edward Schumacher New York Times Service

BUENOS AIRES - A new conroversy has arisen here over Jacobo Timerman, a Argentine dissi-dent and former oewspaper publisher who is to receive an award in New York Tuesday for "distin-guished journalistic contributions to the advancement of inter-American understanding.

Several previons Argentine winners of the award, Columbia University's Maria Moors Cabot Prize, have protested against the award of the prize to Mr. Timerman. Angry notes have been sent to the university by Argentine pub-lishers, writers and a cartoonist who bave received the prize or represent recipients, Some have asked that their names be withdrawn

from the list of past winners.
Mr. Timerman was publisher of the Buenos Aires daily La Opinion until his arrest in 1977 by Argentine security forces. In his book, published this year, he described torture that he moderwent during two and a half years in detention because of his newspaper's defense of human rights. He also said anti-Semitism in Argentina contributed to the treatment that he, a Jew, received. He was expelled from Argentina in 1979 and oow lives in

established in 1939 and consists of a gold medal, a certificate and \$1,000. It is to be presented to four journalists at a dinner at Columbia University Tuesday night, Mr. Timerman, author of the book Prisoner Without a Name, Cell Without a Number," is being cited as having advanced the cause of human rights and the free flow of information.

The award he is to receive was

Diana Julio de Massot, publisher of Noeva Provincia of Bahia Blanca, sent a telegram to Osborn Elliott, dean of the Columbia School of Journalism, saying: "As-tonished that Cabot prize to Jacobo Timerman and that former Ar-

Polish Seamen Granted U.S. Political Asylum

The Associated Press GRESHAM, Ore. — Three Polish seamen who jumped ship in June at Astoria, Ore., have been granted political asylum by the

United States. Romuald Polkowski, 25, Tomasz Nawalany, 23, and Antoni Pawlak, 25, were told Friday, in a phone call from Sen. Mark O. Hat-field, Republican of Oregon, that their asylum request had been

gentine recipients were oot con-sulted." The note described Mr. Timerman as a "political oppor-tunist, encourager of Marxist ter-rorists and partner of international swindler David Graiver."

The Cabot prize is given on be-half of the trustees of Columbia University, but the winners were chosen by a nine-member commit-tee, most of whom were past recipients. According to a university official, two members were absent but the other seven voted unani-

mously for Mr. Timerman. Mr. Timerman's former captors have released tape recordings of their interrogation of him; a focus of their questioning was his rela-tionship with Mr. Graiver, an investor in Mr. Timerman's newspaper who was said to have given money to leftist terrorists. No proof has been presented of a Graiver-terrorist connection, how-ever, and Mr. Timerman was cleared by a special military court.

"The moment Timerman gets the prize," said Maximo Gainza, publisher of La Prensa, a leading daily here, "I am taking all the Moors Cabot plates off our wall." La Prensa has won four of the awards and its reporters four more, accounting for almost half of all Cabot prizes given to Argen-

tines, Mr. Gainza said.

l'heres only one

For three years the Rolls-Royce RB211-524 engine has been the fuel economy leader in the Boeing 747 – the only airliner in service where the performance of the three large competing engines can be directly compared. The 524 has consistently demonstrated a lower fuel consumption than either of its competitors - not only when the engines are new, but even more so after thousands of hours of service life.

This Rolls-Royce engine

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will still be the best for the next two years - even if Rolls-Royce stands still. But Rolls-Royce never stands still. The 524D4 is entering service with yet another five per cent improvement infuel consumption. Rolls-Royce

RB211s power all Lockheed L-1011 TriStars, a growing number of Boeing 747s and are the launch engines for the new Boeing 757.

Staying ahead in the race to tomorrow.

Page 6 Monday, October 26, 1981 *

Ideas of Peace in Europe

Ideas drive policy, but emotions drive ideas. And the cascading emotion in democratic Europe is rage against national impotence the dependence on Arab oil and American interest rates and the fear of frying in a

One potent expression of this rage is the spreading opposition to nuclear weapons big, small, clean, dirty, American, Soviet. The British Labor Party demands nuclear disarmament no matter what the superpowers do. West Germany's Socialists are dangerously split by the question, which is stirring the biggest rallies since Hitler. The issue agitates politics from the Arctic to the Aegean. Socialists have won office in Greece after promising to withdraw from NATO and to close American bases.

Watching the glue of NATO melt, the Kremlin turns up the heat. For months, its every utterance has been calculated to play upon these fears, to deny the preponderance of Soviet military power, to portray Americans as madmen wanting to fight to the last European, to demand a pledge against the "first use" of nukes and to stop the deployment of new missiles in Western Europe.

The Reagan administration, congenitally obsessed by Soviet power, has fed the anxieties by playing the heavy, threatening East-West confrontations and de-emphasizing arms control. But its ineptitude is not the cause of the problem.

Europeans are drifting emotionally out of superpower custody. The prosperous and democratic West Europeans, in particular, want to control their destiny and avoid the superpower quarrels elsewhere. They do not want to risk their livelihoods, let alone their lives, for Afghanistan.

Merely harping on Soviet perfidy is the worst possible American response. No European believes the Russians intend to march to the North Sea. What Europe's politicians are now hard put to explain is how European interests depend on the division of the Continent into Soviet and American spheres of influence, and therefore on military balance

and therefore on nuclear weapons. Policy would follow if these ideas can prevail against current emotion.

The lesson of European history since World War II -- of Poland at this moment is that the Soviet Union feels threatened by much more than military power. Wherever it can, it has moved to dominate the political systems even of distant Yugoslavia or harmless outposts like. West Berlin, Europeans who know only the recent détente find it hard to believe, but their very prosperity and democracy represent a fierce reproach and challenge to the Soviet system. They need to be shown again that the benefits of détente derive from independence, which in turn depends on the military standoff.

Through many crises, the West offset superior Soviet conventional forces only by threatening to use nuclear weapons in any conflict. For a time, America's distant nuclear force was enough. But as America became more vulnerable to counterattack, the gap was filled by French and British nukes and American battlefield nuclear weapons in West Germany.

The Soviets, however, keep trying to upset that balance by enlarging their nuclear forces, leaving NATO with a difficult choice: Keep pace, or vastly increase non-nuclear strength — at enormous cost. What is now denounced as an American scheme to plant more missiles throughout Europe was in fact the allies' preference. What is denounced as an American effort to confine a nuclear war to Europe was actually devised to guarantee that America would not escape involvement in a European war.

This balance of terror, however chilling, has worked to spare both parts of Europe from the devastations of the first half of this century. And it has tamed divided Germany, without wholly frustrating its pride and capacity. How sad that the Soviets can't see the value, to them, of leaving well enough alone. How alarming to find so many Europeans blind to the sources of peace.

THE NEW YORK TIMES.

The Saudis and Europe

"In my opinion," Crown Prince Fahd of Saudi Arabia declared last August, the Europeans should move in the Middle East in "two directions: one toward the Middle East and the other toward the United States." The Europeans, in a deep bow to Saudi power, are now responding. By way of gaining a bet-ter hearing for their Mideast views in the United States, they are offering to contribute troops to the multinational peacekeeping force that the Reagan administration is organizing in the Sinai desert. Their move "toward the Middle East" is to start supporting the "plan for a peaceful settlement of the Palestine question" that the crown prince offered in his August statement.

This lets the Europeans get partly back in stride in the Mideast with the United States, which is pleased to have some of the edge of isolation taken off its policy in the area. It also lets them get in full diplomatic stride with the Mideast country that is most important to them. To put troops into the Sinai and search for a means to find what France calls a "bridge" from Camp David to the Saudi plan is an agreeable piece of work for the Europeans, whose influence cannot be decisive in any case. They evidently feel they have nothing to lose in American disfavor anyway, they are showing the flag in the Sinai — and much to gain in Saudi favor by smiling on the Saudi plan.

That plan is only beginning to be looked at carefully by the United States, which is necessarily committed to going with Camp David as far as the Israelis and Egyptians will permit. Certainly the idea of a Saudi plan is intriguing. It suggests that the Saudis, who have done everything they could to spoil the American effort at a comprehensive settlement, have finally decided to engage in their own. Their experience as a peacemaker in Lebanon seems to have raised their diplomatic confidence. That the Palestinian autonomy talks between Israel and Egypt seem grounded, and that the Sadat era has ended: add to the sense that it is a good moment to prepare something new.

All the more unfortunate, then, that the Saudi plan itself is, at least in its current form, a limited and in some ways disagreeable document. The Saudis would have Israel withdraw to the pre-1967 borders, with the Palestinians receiving first a brief United Nations protectorate and then a state in the West Bank, including East Jerusalem. Only by a glancing reference to "the right of the states in the region to live in peace" is Israel's existence confirmed. There is no talk either of negotiations as a method of peacemaking or of normal relations as a method of peacekeeping. The United States should simply put "Israeli arrogance" to an end by "ceasing its unlimited support." The Saudi responsibility, suggested only implicitly, is to deliver the Palestinians, whose role is undetailed. Old Security Council resolutions are ignored. a new one recommended.

Well, it is major progress for the Saudis to leave open a Mideast place for Israel, even by inference. But they still have a long way to go. Is it possible for the Europeans to intersperse, among their murmurings of praise for Saudi diplomacy, a few tips on how the crown prince might improve his design to the point where a self-respecting American government could take it seriously? Or do the Europeans simply mean to take the plan, supinely, as it stands?

THE WASHINGTON POST.

Dealing With the PLO

At a moment when the question of approaching the PLO is receiving rising public attention, Japan's Premier Zenko Suzuki has become the first leader of a major American ally to receive the PLO's chairman, Yasser Arafat. Mr. Suzuki has provided a textbook

case of how not to deal with the PLO. It can be argued that Japan is heavily dependent on imports of Mideast oil and had no choice but to invest in producer favor by welcoming Mr. Arafat. The Japanese, however, are not content to acknowledge realpolitik, or appeasement, or whatever. They wish it to be known that they are helping the peace process. Mr. Suzuki suggested to Mr. Arafat, it was reported, that he proceed toward mutual Israeli-Palestinian recognition. Arafat did not respond to Suzuki's suggestion. At a press conference later, Arafat refused to answer reporters' questions on the

possibility of PLO recognition of Israel. In short, Mr. Suzuki gave Mr. Arafat a political victory and got nothing in return, unless you see as a concession the fact that Mr. Arafat refrained from repeating the criticisms of the late Anwar Sadat that he ma_ on previous stops of his Asian tour.

One does not blame Mr. Arafat. Why should he pay for something the Japanese are eager to give for free? More responsible would-be interlocutors of the PLO, however, have got to go at it in a different way. Their purpose in dealing with the PLO should not be simply to get right with a popular Arab cause. It should be to make a contribution to the bealing of the Israeli-Palestinian divide. Condition-less contacts that encourage the PLO to believe that terror and intransigence pay are harmful in the extreme.

THE WASHINGTON POST.

In the International Edition

October 26, 1906

LONDON - There were astounding scenes at the Westminster Police Court yesterday when the 10 women whose method of advocating women's suffrage had created a disturbance in the precincts of the House of Commons on Tuesday appeared before the magistrate. Great disorder followed his decision to bind over each defendant in the sum of £5 to keep the peace for six munths. The defendants were removed forcibly from the dock and there were angry protests by a crowd of sympathizers outside the court. The arrest of Miss Sylvia Pankhurst for committing a breach of the peace followed, and later in the afternoon she was fined 20 shillings, with the alternative of 14 days' imprisonment.

Fifty Years Ago October 26, 1931

WASHINGTON - Rigid maintenance of the gold standard as most important to monetary stability and recognition that an agreement for reduction of intergovernmental debts and reparation payments should be reached at an early date to aid worldwide depression are the principal points of agreement reached between President Hoover and Premier Laval of France. A joint statement by the heads of the two governments places much emphasis on the economic and financial situation, but avoids mention of political subjects such as a security pact or disarmament, other than to urge that the forthcoming arms conference in Geneva should meet for its true mission - international peace."

Private vs. Public: Washington's Options Should Be Open

CANCUN, Mexico — Ideological rigidity is beginning to catch the United States in an international box that is likely to be far more expensive than foreseen, and possi-bly dangerous. Signs were here as leaders of 22 industrial states, oil exporters and developing countries discussed how to "open a new chapter in North-South relations," as sponsors put it.

Nn Communist-ruled state was here. The Russians refused to come and Cuba wasn't invited, so nobody was arguing against the importance of private enterprise and self-help, President Reagan's theme for improving the lot of the world. To show good will, Reagan was giving a nod to international institutions and to government efforts for balanced development. But the underlying issue is the public-private mix.

There is a series of practical points dividing the United States and just about everybody else, including the European allies.
One prime example is whether to create an
"energy affiliate" of the World Bank to help
finance the search for oil and alternate energies in countries going bankrupt with oil bills. Everybody agrees this is an acute prob-lem, preventing Third World advance and undermining a generation's work.

After the oil crisis of 1973, the sudden

By Flora Lewis

financial bind was eased by "recycling petrodollars." That means pouring much of the new Arab riches into industrial countries. Then Western banks lent it out, at their nwn risk but at profitable interest rates which, for other reasons, are now becoming

prohibitive to economically weak countries.

It is clear to most that the world economic system can't function safely unless a way is found to tap that money directly, channeling it into programs to reduce developing countries' need for oil imports. Huge new Arab contributions to the World Bank and the International Monetary Fund would be one way of re-lending the money cheaply.

A Sensible Idea

The catch is that these organizations are run by the big contributors. Voting rights go according to the ante. Even the Arabs aren't keen to take over so much responsibility for world economic health.

A special bank "affiliate" for energy would take in the funds, award control pro-portionately, and still not affect basic inter-national financial relations. It is a simple ides, and it makes so much sense it's hard to see why the United States is opposed.

France, Britain and West Germany now support it eagerly.

The Resgan administration mumbles when asked to explain its rejection. Some officials blame Arab reluctance, and one said here that Saudi Arabia is now willing to add \$10 billion to the IMF as a way around setting up a new outfit. But Arabs and Europeans who have close relations with them say they would accept the affiliate if the United States supports it.

- Ideologues

Some U.S. officials blame Congress, saying it would never agree to yet another international agency. Deeper probes, however, reveal that administration ideologues, backed by big oil companies, realize the affi-liate would favor government energy pro-duction. They think the present system will bring more private concessions. That wouldn't be too bad if private investors were willing and able to put the money where it's most needed. But it isn't working that way. And many countries consider turning

nver vital resources to foreign giants an in-evitable relapse into colonial status. The West German delegate said here that the North must not impose a "development model" on the South. It can urge high productivity of food with better incentives for farmers; creation of jobs, freer trade, anti-inflation austerity. But it can't tell other governments what should be public and

what must be private. That is just what the United States is at-tempting. This is short-sighted, not only because of Third World pride.

Western investors often aren't going into the best projects, preferring quicker returns. Worse, with such high interest, banks are tending to shovel out money with too little concern for the debtors' capacity to repay and their plans to use it.

The world debt structure is building up to giddy, absord proportions. It could lead to a crash broader than that of 1929.

giddy, absurd proportions. It could lead to a crash broader than that of 1929.

It is ironic that the United States, proud of its flexible approach to problem-solving and economic growth, should be digging in its heefs on the principle of private finance and damn the consequences. Right now that is causing only diplomatic strains. But it bodes ill. And being doctrinaire on the private versus public issue could drive countries seeking a mixed economy into a Marx. tries seeking a mixed economy into a Marxist alternative. C1981, The New York Times.

Guessing at the Foreign Policy

By Philip Geyelin adversaries, the costs are higher

and more dangerous.

Just when you think you have the quintessential illustration at

hand, another example crops up. There were Defense Secretary

There were Defense Secretary
Weinberger's efforts to tidy up, for
the benefit of dismayed and dishelieving Europeans, the president's
offhand projection of the possibility of a tactical nuclear war nicely
confined to European battlefields.
Or there was the administration's handling of the AWACS sale
to Saudi Arabia. Win or lose, it's a

Too many responsible

different things.

Sandi Arabia.

U.S. officials are saying

downer to some degree on the competence chart.

A far more telling illustration, and a clear loser on the confidence

chart, is the administration's expo-

sition of its security obligations to

outside force to gain control of the Persian Gulf ... will be repelled by use of any means necessary, in-

All that was missing to make it compelling was the visible availability of the necessary force. This

same deficiency applies as well to

the Reagan approach. But in

Reagan's case, not just the means but even the ends are obscure.

flat declaration that "we will not pennit" Saudi Arabia "to be an Iran." Since almost everybody agrees that Iran's shah fell victim

to a strictly internal upheaval, this

mitment well beyond a threat from

Next came Weinberger, saying the United States would not

stand by, in the event of Sandi re-

quests, as we did before with Iran.

and allow a government that had

any outside force."

seemed to take the American com-

First there was the president's

The self-proclaimed Carter doctrine, by comparison, was a model of clarity. "Any attempt by any

PARIS — My current nominee
for scandal of the year has to
be the Reagan administration's
management of foreign policy,
"It's a mess," says a career diplomat who is also a Reagan appointee with a professional stake in the
administration's success. A section administration's success. A veteran ambassador to Washington finds the Reagan method the "most disorganized" he has ever seen.

This is not exceptional hyperbole: It's the not-so-muffled, common complaint of many responsible participants in the conduct of

American diplomacy.

Serious students of past performances argue that the Reagan system bears no resemblance to any-thing that has gone before. None of the previous models fit: not the Truman confidence in a dominant secretary of state; not the Eisenhower reliance on a military staff formula, with a vastly expanded National Security Council appara-tus; not Nixon's decision-making in isolation, with Henry Kissinger the key; not Jimmy Carter's nitty-

gritty personal involvement.
Reagan has borrowed bits and pieces, to be sure: Cabinet government of a sort; a supposedly domi-nant secretary of state in Al Haig; central White House oversight, but not in the traditional manner of a traffic-directing special adviser to the president for national security affairs. In that capacity, Richard Allen is a crucial layer below the triumvirate of Jim Baker, Mike Deaver and, above all, Ed Meese.

Saudi Security

The result is a system, as one critic puts it, that has "almost none of the strengths and most of" the weaknesses of everything that's gone before." By which be means too many divergent voices, and no "policing" of the execution of decisions presumably made, "A loose cannon on a pitching deck."

The internal costs in carping sagging morale, debilitating in-fighting and simple lack of direction are already high and rising. Externally, where the costs are reckoned in the confidence and been totally unfriendly to the understanding of allies and the po-tential for misunderstanding by to take over."

Comes now, a week later, counselor Meese (nnt a long-time stu-dent of these matters) pooh-poohing the internal-external question on the grounds that in historical terms an uprising against the house of Saud "doesn't seem very

likely."

But wait. That same day, in an effort to clarify, Richard Allen was saying there is "no question" about what the president had in mind: "We are prepared to assist should there be an external attack upon the governments of Saudi Arabia nr any of the other states in

the region." So we are back to a Carter doct-rine for dealing with "nusside" at-tack — I guess. But we are also back to the problem of too many responsible officials saying different things.
It might have been understand-

able, say, six months ago. What raises it to the level of scandal, of a sort, is not just that it persists —or that it is precisely what Ronald Reagan complained of in the Carter presidency. The worst part of the problem affecting Reagan's foreign policy management is that the only person who can do anything about it, which is to say Ronald Reagan, gives no evidence of even being aware that it exists. 01981, The Washington Post.



Stumbling Along With Congress

NEW YORK — In the 1970s, the liberal, Democratic-controlled Senste of J. William Fulbright of Arkansas, Frank Church of Idaho and Hubert Humphrey of Minnesota, and Republicans Clif-ford Case of New Jersey and Jacob K. Javits of New York, asserted its foreign policy powers with more forcefulness than it had since World War II. It first challenged, and then vanquished, Richard M. Nixon, Gerald R. Ford and Henry

A. Kissinger.
It acted to end the bombing of Indochina and CIA involvement in Angola. Its broader laws established congressional right to be in-formed about intelligence activi-tics, and to overturn presidential decisions to send troops to battle, sell arms overseas or export nucloar materials.

Now, in the 1980s, the Republican Senate of Jesse Helms of North Carolina, Bob Packwood and Mark O. Hatfield of Oregon, Charles Percy of Illinois and John Tower of Texas is beginning to threaten Ronald Reagan with the same sort of treatment. So is the House of Representatives, which the president mastered so com-pletely on economic policy as re-cently as late July. Consider what has happened since then:

The Senate voted, against ad-

ministration wishes, to condition aid to El Salvador on steps by that government to protect human rights and implement reforms. • The House rejected, by a 61-

vote margin, a bill to authorize the operations of Alexander M. Haig Jr.'s State Department in fiscal year 1982, with Republicans splitting 40 to 131 against the bill. Tower, chairman of the Sen-ate Armed Services Committee,

has challenged Reagan's new stra-tegic program, saying that in is per-haps weaker than former President my Carter's. • The chairmen of the Senate's

Appropriations Committee and the Budget Committee, respectively Hatfield and Pete V. Domenici, are calling for cuts in the defense

 Most threatening, Resgan's proposal to sell AWACS to Saudi Arabia has been rejected 301-111 by the House and 9-8 by the Senate Foreign Relations Committee. The full Senate is scheduled to vote Wednesday, and unless the president wins, he will be the first to sustain a congressional veto on an arms sale with serious conse-quences for his foreign policy cred-

Capitol Hill. But in dealing with Congress on foreign policy, he looks more and more like Carter, with the AWACS sale quickly becoming his Panama Canal. It is not because of any great

gap between the president and Congress on general policy preferences. Nixon and Ford faced legis lators determined to cut defense spending and curb overseas military involvements; Carter increasingly met resistance from conservatives who wanted to assert U.S. influence abroad and buttress U.S. military strength. Reagan, by con-trast, is the first president since Lyndon B. Johnson's early years to have a Congress with whom he is in basic ideological harmony.

Administration foreign-policymaking is beginning to come under

Can a more supportive congressional base for foreign policy be built?

serious criticism, but Reagan's popularity and political effective ness on economic policy have carned him considerable profes-sional respect on Capitol Hill

Nor are Reagan's difficulties with Congress caused by intransi-gent legislators determined to pre-serve institutional prerogatives so dearly won during the past decade. When political winds so dictate, these prerogatives can be abandoned with unseemly haste.

And it is not established con-

gressional barons who are giving the president trouble. Of today's 100 senators, 55 were not even there before the 1976 elections.

Why, then, is Congress not more responsive to the Reagan foreign policy lead? One reason is that the president paid little attention to foreign policy during his first eight months in office while he stressed. his economic program. A second is the visible conflict among his principal advisers, and the fact that none of them has yet established a strong constituency on Capitol certain specific actions. Thus, pub-lic reaction to El Salvador has made it clear that while Americans may now favor military assertiveness in general, they still resist involvement in obscure, morally

messy civil wars. Much of the administration's mixed record can be explained by the nature of Congress today. Its members are at once independent. On budget and tax policy, assertive and politically vulnera-Reagan may have been king of ble. They react to, even amplify,

prevailing moods, influential lobbies or the campaigns of skillful in-dividual legislators.

Because members of the House and the Senate foreign policy committees are much more liberal and internationalist than most members of either house, their bills ofcan work to the advantage of the Reagan administration, which won Schate agreement to repeal the prohibition of covert action in Angola after losing in committee. But it renders congressional foreign policy action less predictable over-all, and harder for executive branch leaders to manage.

Can a more supportive congressional base for foreign policy be built? Fragmentation on Capitol Hill means that the central effort must come from the executive branch. And given the State Department's limited credibility with conservative Republicans, the leadership must come from the White House. It seems valikely that it will

Even if Reagan ekes out a victory on AWACS, he will emerge weaker from it. Will he then be willing or able to take on the broader task of reviving understanding and support for all U.S. foreign policy instruments, including diplomats and economic programs?

Politically, Reagan is musually well-positioned to do so, and to rally a block of conservative brethren behind him. But he has shown no readiness to undertake shown no readness to undertake such a campaign. More likely, he will concentrate his foreign policy lobbying on highly visible single is-sues like AWACS. He may win most of those. But overall Ameri-can foreign policy will continue to can foreign policy will continue to stumble along with shaky congressional support.

I.M. Destler is a senior associate at the Carnegie Endowment for In-ternational Peace and director of its project on executive-congressional relations in foreign policy. He contributed this article to the Los Ange-

Letters intended for publica-tion should be addressed "Letters to the Editor," and must include the writer's address and signature. Priority is given to letters that are brief and do not request anonymity. Letters may be abridged. We are unable to acknowledge all letters, but value the views of readers who submit

Seventy-Five Years Ago

Letters-

ANNAR SADAT 1918-1981

At Sadat's Funeral

It is ironic that Israeli Prime It is ironic that Israeli Prime Minister Menachem Begin, whom the preas continually views as some kind of instransigent terrorist, was one of the only Mideast leaders present at Mr. Sadat's funeral. Where were the "moderates," King Hussein and King Khaled?

CS. COOK.

Re the absence of Kurt Waldheim at the funeral: Wasn't it a duty for Waldheim to pay a last tribute to a man who alone and throughout the last 10 years did more for peace and stability than the United Nations as a whole?

HAMID BAHRAM.

Re Anthony Lewis' column "What Was Nixon Doing in Cairo?" (IHT, Oct. 15): I resent Mr. Lewis presuming to speak for all Americans as to our opinion of former President Nixon. I for one am mut revolted at Mr. Nixon's presence in Cairo for the Sadat funeral. I found it acceptable and respectable, and I know many Americans who feel as I do.

We remember of course his faults, and his abuse of certain powers during his time in office, but we also remember his achievement in China, and his ending the horrible war in Vietnam. FAITH COSSA.

Thank you, Anthony Lewis, for asking what Nixon was doing in Cairo. Are people so shallow as to forget so easily? Why dn they con-

tinue to pay homage to that dis-graceful character? My revulsion is never muted, Mr. Lewis, wherever Nixon may be found.
DAVID DeSARIO.

It so happens that ex-President Richard Nixon enjoyed and still enjoys immense prestige outside the United States. The Reagan ad-ministration did the right thing to marshal three former heads of state to represent the United States at President Sadar's funeral. All three had worked with Mr. Sadat for the benefit of U.S.-Egyptian re-

N.X. YANACOPOULOS. Geneva.

Idris Lives

Re the editorial "What Qadhafi Represents" (IHT, Oct. 16): King Mohammed Idris Essanusi is still very much alive and in good health despite his nid age. Not only that, but the people of Libya still look upon him as the legitimate leader who brought them the independence, stability and democracy which they have lost since the day he was robbed of his throne.

The king has been called upon by the Libyan opposition in exile to head their coalition, which recently emerged as the Libyan Con-stitutional Union.

AWAD, M. Wolverhampton, England.

Editor's note: The editorial's reference to "the late King Idris" was mistaken. The Associated Press confirms that the exiled Idris continues to reside outside Cairo. He turned

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PARIS, OCTOBER, 1981

Region Is Attractive To Foreign Investors

HIGH real growth rates, low in-flation and stable govern-ments make most of Southeast Asia, from Singapore to Hong Kong an attractive place for for-eign investors. While all countries in the region have introduced various measures to spread company equity among the local inhabit-ants, most welcome foreign con-carts, especially in joint ventures, and allow the repatriation of prof-

Oil and natural gas have been among the biggest draws. In-donesia, a long-standing member of the Organization of Petroleum Exporting Countries, has the most-developed petroleum industry, and the state oil corporation, Pertami-na, is particularly welcoming joint ventures with foreigners for down-stream petrochemicals.

Malaysia is heavily involved in oil exploration, while Thailand is about to bring gas in from the Gulf of Siam and to set up heavy industry using the gas as fuel under its live-year plan announced in September.

The Philippines has found oil off Palawan, and although its mitial producer, the Nido field, has not lived up to the highest expecta-tions, more finds are likely.

Refining Center

Singapore is well-established as the oil refining center of Southeast Asia, and Hong Kong is poised to cash in by supporting China's ex-ploration in the South China Sea. In particular, the British-administered territory could become an important support base for the ex-pected oil bonanza in the Pearl River estuary.

Singapore and Hong Kong have something else in common, al-though lacking in natural resources except for the industriousness of their people. Both have excellent telecommunications systems and banking services, and both are trying to upgrade the quality of their manufacturing industries as countries with lower labor costs muscle in on their traditional products and markets.

Among those areas of cheaper Philippines and Indonesia, and the last three also have high unem-ployment rates. Indonesia, with a population of 150 million, also provides a large domestic buying

In political terms, Singapore seems the best set, with Premier Lee Kuan Yew in firm control, but Malaysia takes credit for proving at the same time that coalitions and federations can work.

and recerations can work.

Indonesia and the Philippines also have continuity of government, although the recently removed martial law tarnished Manila's image, while Thailand, despite periodic switches between military and civilian rule, has weathered its storms well

weathered its storms well. Hong Kong is the biggest ques-tion mark, but repeated assurances from Peking that the Taiwan question will be dealt with first and that Hong Kong investors should

out worries about the reversion of most of the colony to China under the terms of the new territories lease. Already, China is keeping Hong Kong going by providing most of its fresh food and one-

third of its water. Investment in the region can have its problems, however. The list of licenses and permits needed to set up business in Indonesia has to be seen to be believed — it covpermits for manufacturing, distribution, imports of raw materials, exports of finished goods, transport, inter-island movements of goods, often with licenses reof goods, often with ticenses required from provincial as well as central government. The good news is that legislation to ent through some of the red tape has been introduced, making use of a 50-year-old Dutch colonial law.

The Philippines heavily restricts foreign participation in resource-based industries, while Malaysia aims to spread ownership of company shares toward a target of 40

pany shares toward a target of 40 percent for indigenous Malaysians, 30 percent for Malaysian Chinese and 30 percent for others.

Nowhere is the confidence in the region seen more than in the willingness of commercial banks to lend. In spite of uncertainties about the world financial system, there is notable and persistent optimism when it comes to the Asian lending market. High oil bills and prohibitive interest rates do not seem to be taking their toll.

The problem banks encounter is (Continued on Page 10S)



An employee chalks up foreign exchange quotations at the entrance of the Bank of China in Wuhan.

China Is Luring Overseas Funds

THINA is going all out to woo the foreign investor. The government is keen to lure overseas money to develop the many projects that it cannot afford because of the present spending cutbacks.

That leaves the foreign investor in perhaps a better bargaining position than at any time since early 1979, when China officially

opened up to the West. nc-country is going thro what the government terms a readjustment period. This translates into less money for foreign imports and a general belt-tightening. For exporters to China, this is bad news. But for investors looking for

long-term gain, it could be the be-ginning of good things. Chinese officials have stressed that readjustment does not mean the abandonment of modernization. The government still wants to build roads and railways and to develop its light and heavy industry, but it has come to realize that it does not have enough money to do all the things it wants to do.

Battle of Regions

The battle among Chinese special economic zones to lure foreign investment is perhaps the best testimony to the country's new mood. The last few months have seen the Guangdong special economic zone

Economic Cooperation Sought

Perhaps the most tangible proof of the foreign welcome is

China's new willingness to grant foreign business

multiple re-entry

of Shenzhen and the Fujian special economic zone of Xiamen vying with each other in courting the for-

eign dollar.
Both zones announced plans to provide a more attractive investment package. The relaxation of ns controls, simplification of border checks, extra concessionary tax terms and more management authority to the investor are

among the carrots being dangled. Hong Kong businessmen with investment in both zones say that there is a perceptible, if subtle, rivalry between the two. One businessman asked a Xiamen official what the wage rates in the zone

Singapore has virtually dropped out of both schemes. It will take only a nominal equity in the ASEAN projects, although each nation was supposed to hold 10 percent of the shares in each other country's projects and 60 percent of its own. And Singapore will not have a project. Similarly, the complementation schemes are going ahead without Singapore's participation.

Private Enterprise

This wrangling has led private enterprise to claim that it is being held back in promoting regional cooperation, that governments have hindered rather than initiated progress. Nonetheless, the private sector has taken the initiative, and a number of organizations have been formed in

number of organizations have been formed, in-cluding the ASEAN chambers of commerce and

industry, and federations bringing together shippers, accountants and employer organiza-

Probably the most hopeful sign of cooperation

This year, one of the grouping's most active organizations, the ASEAN Banking Council, created the ASEAN Finance Corp., which will provide venture capital plus management and technical advice to promising business projects. The corporation should close the gap between huge multinational enterprises and the relatively modest business for the corporation of the council of the coun

ness infrastructure, and nurture a generation of indigenous entrepreneurs. It will be half merchant

The new corporation will aid new and existing

ousinesses, particularly those that operate in more

than one ASEAN country. Apart from providing

equity capital and start-up loans, it will pu-

derwrite debt and equity issues and provide finan-

cial, technical and management advice. It will be-

come a shareholder in a proposed Japan-ASEAN finance corporation that will serve as a conduit

for channeling Japanese investment toward

The five-nation grouping is pressing Europe, the United States and Australia to form similar

The idea of the finance corporation has taken shape over several years, with businessmen and

shape over several years, with businessmen and financiers increasingly recognizing the need for more broadly based industrialization, and hence for institutions providing capital to smaller businesses with limited access to funds. With the region's biggest banks participating, the corporation should have no difficulty raising long-term funds.

joint-financing ventures.

bank and half investment holding company.

so far has come in the finance sector.

were going to be under the new

package. He was told: "Lower than Shenzhen." Businessmen also say that special zone officials seem much more flexible these days in their inter-pretation of China's investment regulations. Shenzhen in particular has been hosting an increasing number of fact-finding tours for foreign businessmen in the last half-year and has lost no opportu-

investment dollar is valued. Re-Entry Visas

Perhaps the most tangible proof of the foreign welcome is China's new willingness to grant foreign businessmen multiple re-entry visas. And while there is still a lot of red tape and delay, there is also official recognition that cumbersome travel procedures deter investors. Among the proposals that Shenzhen presented to Peking in September is that businessmen visiting the zone for less than three days be given an entry visa on ar-rival instead of having to apply in

China formally set up three spe-cial economic zones in Guangdong province in 1980. They are Shenzhen, which is across the border from Hong Kong; Shanton, which is further north along the coast; and Zhuhai, which borders the Portuguese territory of Macao.

Legislation provides for invest-ment incentives mainly in the form of tax concessions. The tax rate in the zones, for example, is 15 percent, against 33 percent in the rest of the country. Import duties are also waived on goods and machin-ery deemed necessary for produc-

Investment incentives are sim lar in the region of Xiamen in neighboring Fujian province. Xiamen has been formally designated a special economic zone, although legislation governing investment is still at the drafting stage. Shenzhen, which so far is the

most successful special zone in at-tracting overseas capital, claims \$366.67 million worth of foreign investment in 630 projects up to March, 1981. About half of this investment is in property develop-ment. The other half ranges from fast-food shops to handbag facto-ries to workshops assembling television sets.

Chinese Capital

But the foreign investment to which the Shenzhen authorities refer is mostly Hong Kong Chinese or overseas Chinese capital. No of ficial figures are given for non-Chi nese investment, although a look at the major foreign ventures in the zone indicates that it has at tracted only the small fish. Ven-tures include a Pepsi-Cola plant, a Japanese fish farm, a joint U.S. Thai feed mill, a Japanese electronics factory, an Australian stone quarry, a Philippine pig farm and an American warehouse.

investment outside the special zones has concentrated in the provinces of Guangdong and Fujian. The two provinces have strong overseas Chinese connections, which translate into considerable investment interest. Guang-dong in particular benefits from Hong Kong Chinese money.

The desire of the overseas Chi nese to invest in their homeland is prompted both by sentiment and by the practical realization that they are better-placed than forcigners in spotting profitable ven-(Continued on Page 9S)

Bank's Growth Tied To Area Development

THE RAPID growth of the He karlb growth of the Hong Kong and Shanghai Banking Corp. has probably done more than anything else to put Asian finance on the world map.

The bank has long dominated the British colony, and now has 200 branches scattered throughout the 400-square-mile territory. It was incorporated in 1865 and its board of directors includes the top names in Hong Kong business. It bolds 29.4 percent of the shares of Hong Kong's airline Cathay Pacific and 43.8 percent of the leading English-language newspaper, the South China Morning Post.

Local subsidiary and associated companies operate in merchant banking, finance and investment, insurance, investment management, corporate management, ex-port credit, bullion dealing, com-pany data information, shipping

and property.

The bank has an issued capital of HK\$3.9 billion shares of HK\$2.50 par value. The share price is about HK\$15. Its profit after tax and minorities was HK\$1.4 billion in 1980, and at the interim stage this year it was 34 percent ahead of the halfway stage last year. Profits for the full year are expected to reach HK\$2 billion.

Few people know, bowever, what the bank is really worth or the real size of its profits. Each year, it transfers to its inner reserves an undisclosed amount, a tactic that helps smooth out the

The policy of secrecy has been one of the stumbling blocks in the bank's internationalization campaign, especially in the Umited States, where disclosure of information to the authorities is manda-

When the Hong Kong Bank at-tempted to merge with Marine Midland, in effect taking over the U.S. bank, it ran into the sort of opposition it does not have to meet

in Hong Kong.

The New York state superintendent of banks, Muriel Siefert,

The Hong Kong and Shanghai Banking Corp. has undertaken a campaign of internationalization. But a policy of secrecy has been a

stumbling block.

led the antagonists. Objections to the Hong Kong Bank move includ-ed fears that the U.S. banking system was becoming foreign-domi-nated, that deposits would be sucked out of the United States, that financing of local projects would be viewed unsympatheticaland that the Hong Kong Bank id not meet U.S. disclosure laws.

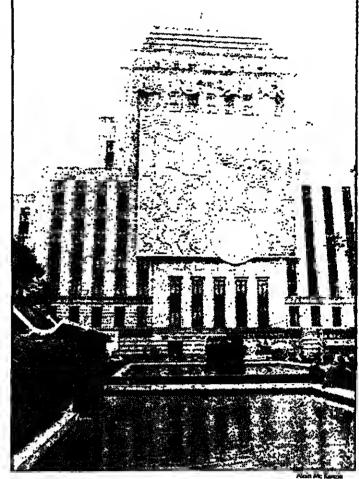
The Hong Kong Bank has also run into trouble in Britain, despite the colonial connection.

When it took over merchant bankers Anthony Gibbs, it was treated as a foreigner assaulting an exclusive British club. The Hong Kong Bank picked up the 60 per-cent of Gibbs it did not already own, but Gibbs was thrown ont of the Accepting Houses Committee in London, thus losing the right to qualify for the finest discount rates at the Bank of England and the best rates in the London discount

More vociferous opposition has been generated by the bank's at-tempt to take over the Royal Bank of Scotland, a bid that has been referred to the British Monopolies

The Bank of England is con-cerned that control of a British bank - the fifth-largest clearing bank in Britain - should pass into the hands of a group that is not directly supervised in Britain.

Many Scottish groups have op-



The Hong Kong and Shanghai Banking Corp., shown here during Chinese New Year celebrations in Hong Kong. is one of the driving forces of Asian finance.

posed the sale on purely nationalistic grounds.

With the Marine Midland merger, the Hong Kong Bank rose from 76th largest in the world to 40th. If the Royal Bank of Scotland offer succeeds, the newly enlarged bank will be the 12th in the world.

Even if that bid fails, the Hong Kong Bank can be expected to continue its aggressive expansion abroad. It already owns 100 per-cent of the British Bank of the

Middle East and the Mercantile Bank and finance companies in

Malaysia and Singapore.

It has a foothold in Canada through a subsidiary of its merchant banking arm Wardleys and is expected to own a commercial banking subsidiary there soon.

But it is in Europe, where the Hong Kong and Shanghai Bank is weak, that its next big push may come. The Royal Bank of Scotland is supposed to provide that bridge



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island's free-trade status.

Another problem was that the projects were to be financed in part by Japan as a goodwill gesture to the region. Japan insisted that, if it was to put up the money, it must send in experts to establish

the viability of the schemes. ASEAN felt that Japan was trying to impose loan requirements tailored in favor of Japanese suppliers. Japanese teams evaluated projects, Japanese consultants were hired to prepare the tender documents and Japanese suppliers were given the main advantage

in tendering, according to an ASEAN report.

Under the complementation project, one complete product was to be assembled from parts produced in each ASEAN nation. For vehicles, produced in the complete produced in the com duction was allocated as: Indonesia; diesel engines; Malaysia, timing chains, roller chains, grease nipples and spokes; the Philippines, car body panels; Thailand, body panels for commercial vehicles; and Singapore, universal joints.

Once again, individual interests threatened the concern. Singapore, which conducts for models

concept. Singapore, which produces for world markets, would benefit little from the lowering of intra-ASEAN trade barriers, while protectionism against outside manufacturers would damage the

Do THE GOVERNMENTS of Southeast Asia have the political will to make economic cooperation work? That is the question hanging over the Association of Southeast Asian Nations, a political and economic grouping of Singapore, Malaysia, Thailand, Indonesia and the Philip-

The five countries can point to a rapidly growing list of goods on which tariffs within ASEAN

have been lowered or removed. But they have singularly failed to turn economic cooperation

into industrial projects.

The governments were supposed to lead the way with two forms of industrial cooperation:

joint industrial projects and industrial complementation. Under the projects, each country was to have a self-chosen industry that would have

protected access to all ASEAN countries, and there would be no competing industry making the

This idea soon ran up against a barrier: Members did not want to make sacrifices. For example,

diesel engine manufacturing was supposed to be carried out only in Singapore. But Indonesia already made some diesel engines, and was not prepared to shut the industry down in favor of Singa-

Japanese Stand

same product in any of the others.

Stock Markets Struggling Against Regulation — or the Lack of It

REGULATION — or the lack of it — has tarnished the image of Asian stock markets. While Hong Koog, Singapore and Malaysia are attempting to bring rules into line with Western stand-

ards of accountability and fair play for small investors, Indonesia is strangled by official policies, and the Philippines and Thailand have suffered from tight liquidity and government indecisiveness.

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market has come off the top since tors

region's top performer. The mar- collapse in 1973 of the last bull ket moved up rapidly from Sep-tember, 1979, but growth was issues cashing in on the high liquibased on sound fundamentals. The dity broke the confidence of inves-

and government indecisiveness.

Hong Kong has proved to be the bas been less dramatic than the newing Hong Kong's importance as an entrepot, has added to the double-digit growth of the economy over several years and has strengthened the belief that China will accept the British territory's status one for the long term. As the political risk has declined, locals and foreigners have come to accept a longer time to recover their money and, therefore, a lower

The freewheeling environment has tarnished the image of the stock market, however. The takeover code is voluntary, and 50 per-cent is regarded as the point at which control is achieved. A special committee on takeovers and mergers, under the auspices of the Securities Commission, has tried and failed to gain acceptance for a lower figure.

The Securities Commission lacks manpower and expertise, and several of its rulings have been overtaken by events before they were pronounced. Flaws in the system became apparent last year when one of Hong Kong's biggest takeover battles, for cootrol of Hong Kong Wharf, broke ont. Two rival partial bids were made, and the battle was won and lost before the committee could issue what was to be ineffective slaps on the wrist to all concerned. A demand by the committee that the successful bidder make a full offer was ignored

This year, the committee again got into a tangle over partial bids, this time for the territory's China Mosor Bus Co., and blundered by failing to read the small print on one offer. As a result, it got into a muddle over whether partial bidders could buy shares on the market and deduct their purchases from the number of shares accepted under the offer.

Hong Kong has also failed to come to grips with disclosure of large shareholdings. Traditions of secrecy still rule.
Singapore and Malaysia markets usually move in tandem, as many stocks are listed on both ex-changes, although Knala Lumpur has shown greater independence on stock exchange indices during the last two years.

stepped up, and the stock market regulating committee, composed of

brokers, may be widened to in-

clude a government official and

representatives of merchant banks

Bangkok's experience has shown how an unregulated market can go

wrong. The exchange was set up in April, 1975, with the Book Club

Index, the market barometer, at 100. After two years of drift, the market took off in January, 1977.

The exchange was promoted by

the Thai government to raise capi-

abourd, using 30-percent margin accounts offered by finance hous-

es-cum-stockbrokers. Money was

plentiful and cheap.
When the bubble burst, brokers

es such as employing savers' mon-ey to buy shares in their own com-panies. Investors who found their brokers had iviolated the law

The doubling of interest rates, poor harvests, falls in profits and a

Book Club Index

The Book Club Index is now be-

low 100 after dropping one point a week for four months. On funda-

mentals the market is very cheap,

but potential buyers keep waiting for someone else to move first.

Tight liquidity combined with

government indecisiveness on

stock market regulations have hit

the Mamla exchange and its com-

terpart in the Merkati business dis-

trict. Lenders to shareholders

turned tough this year as they knew the borrowers had an asset

that could be realized quickly. With turnover in the doldrums,

brokers claim that on some days

their commission does not cover

the cost of electricity for the lights in their offices. Trading hours were

What has worried investors most has been the threatened reim-

position of capital gains tax, Many

cashed in their gains while they

had the chance and have stayed on the sidelines while the government

The newest stock market in the region is in Jakarta, set up in 1977. Only in late 1980 did it have more fistings (five) than the number of

This market is so ringed with re-

Primary Market

There is a dearth of companies willing to be listed, since merely

announcing an intention to go public, without really meaning it, gains sufficient kndos and govern-

ment incentives. Many companies must transform antiquated capital structures into presentable public

Most companies seriously planning a listing are wholly- or majority-owned by foreigners.

The primary market, such as it has been, has proved successful,

with issues oversubscribed thanks to the institutional investors, but the secondary market is virtually

trols keep prices in narrow bands and the government underwriters must be offered 50 percent of all

issues brought to market. Few of these shares have been passed on

makes up its mind.

blossoming

floors under construction.

refused to honor transactions.

tight money policy did the rest.

and institutional managers.

Both markets peaked earlier this year and fell rapidly until regula-tions were tightened.

Short Sellers

The target was short scilers, accused in both countries of manipulating the market. Both had existing regulations covering the time allowed for paying for stock or delivering scrip, but neither cen-ter enforced the rules stringently until the markets collapsed.

Kuala Lumpur tightened its regulations further in August with a rule that purchases be paid for on delivery and scrip be delivered three days. A month later, the Malaysian government said it would introduce new legislation to control the market.

In Singapore, where stock should be delivered in three days and contracts cleared promptly, the exchange is to conduct an investigation into trading during the last few months, mainly to check the allegations of consistent shortselling by syndicates. The Singapore exchange also decided to in-sist that all transactions be cleared in 24 hours.

Some dealers fear the cure may be worse than the malady. Since the markets were grossly over-bought, with price-earnings ratios running to three digits in some cases, a fall in the market was inevitable. Tighter regulations may discourage investors, and the markets will therefore fall further

through lower buying.
Foreign bankers, and even some local ones, insist that the markets lack the infrastructure to cope with such tight rules. Knala Limpur banks handling settlements for overseas and domestic investors have a 10-day bottleneck in transferring scrip, while company registrars have proved themselves unable to register shares within

three days. The new Malaysian legislation is expected to extend regulations covering brokers to all market

Singapore Plans to Tighten Commodity Trading Rules

By Joel Stratte-McClure

OVERNMENT monitoring bodies in Singapore have prepared leg-islation that will more tightly regulate future commodity trading activities in the island city state. A new Gold Trading Act, prepared by the Monetary Authority of Singapore (MAS), and a commodity futures trading act, drawn up by the Department of Trade, are expected to be adopted by Parliament during the next few months.

Past regulations pertaining to Singapore commodity markets have been notably lax, and the permissive atmosphere was underlined earlier oeen notany iax, and the permissive aumosphere was underlined earlier this year when a private company, Kimocris Pte. Ltd., abruptly folded, leaving investors with a loss totaling \$1.3 million. A criminal investigation is under way, and a local newspaper has complained that Singapore simply does not "have effective laws to control commodity trading companies or prevent them from swindling clients."

Attached the December of Trade represents that Kimocris "more control commodity trading companies or prevent them from swindling clients."

tal for development of business Although the Department of Trade contends that Kimorns "was trading quietly and without our knowledge," most local brokers and government officials agree that stiffer regulations are required to legiand to distribute share ownership more widely. This second aim was all too successfully achieved. Tradtimize the market and enhance Singapore's reputation as a competitive ing volume jumped from 3.7 million bahts per day to 734 million bahts, and the index trebled from 80 points to 250 points by 1979. People who had never heard of a stock market before climbed

"We are a growing commercial center in Asia but our commodities market is still in its infancy, and we should have had regulations quite some time ago," a spokesman for the Department of Trade said.

Differing Views

Some observers feel that the commodity market in Singapore has rown too quickly and believe that regulations may be coming too late. Others speculate that regulations at this stage will chase away speculative companies like Kimorris and lead to the creation of a legitimate commodity exchange. Another sector feels that regulations alone are not enough to give the Singapore commodities market an international

were not quick enough to keep margins topped up and several were found using dubious practic-"The Singapore market is new and thin," a U.S. broker said. "Regulations will control the validity of transactions and guarantee satisfactory closeouts of positions, but Singapore really needs increased liquidity to become a major market contender."

Robert Chua, an associate vice president with Merrill Lynch International Chua, an associate vice president with Merrill Lynch Internations have been supported by the contender.

tional, added: "Singapore not only needs to introduce regulations but must also do something to stimulate the volume of trade."

Before formulating new regulations governing the commodities mar-ket, government officials visited Hong Kong and other markets to eval-

'The new rules will give added validity to the Gold Exchange of Singapore and improve our position as a world trading center' — Loh Hoon Sun, exchange chairman.

uate their respective legislation. To date, although it is not required by Singapore law, many companies trading in gold and other commodities have been cleared by the MAS or the Department of Trade after dis-closing details of their financial status, shareholders and ties to major commodity exchanges. But there are numerous concerns, like Kimorris. operating without the government's knowledge. The new regulations, an official said, "will increase and tighten the controls without restricting the flexibility of the market."

The MAS contends that new regulations will prevent manipulation, not speculation, and neither authorities nor brokers expect a major impact on gold trading.

The new rules will give added validity to the Gold Exchange of Singapore and improve our position as a world trading center," said Loh Hoon Sun, chairman of the exchange.

Although there are no firm figures, it is estimated that between 50 and 70 companies, consultants and representatives of foreign firms operate in the Singapore gold and commodity markets. Half of these panies, a broker estimated, are joint ventures between Singaporeans and foreigners. Hong Kong investors are the most prominent foreign-presence, followed by Americans, Europeans, Japanese and Than. There are five traditional commission houses operating in Singapore, including Merrill Lynch and Shearson, Loeb, Rhoades.

Most of the local action is in the gold market. The Gold Exchange of Singapore has 16 full members and 10 local associate members. Trade volume reached a high of 1,104 lots of 100 ounces on Dec. 19, 1979, and current daily trading is between 200 and 250 lots.

Rubber is the second-most important commodity traded in Singa ore, and there are six rubber brokers belonging to the Rubber Association of Singapore. Although the market is larger than those in other members of the Association of Southeast Asian Nations, trading is generally subdued.

"Major speculators tend to come to Singapore only when there are extremely large fluctuations," said a broker for the General Rubber Trading House Pte. Ltd.

Most brokers believe that there will be increased activity in the Singapore commodities marketplace not only for gold and rubber but also for coffee, occount oil, copra and pepper. The prevailing opinion is that Singapore's proximity to producing countries and growing membership in international organizations will lead to increased activity. For examinational organizations of the vice and control of the vice and , Singapore became a member of the International Coffee Organization in late August, and brokers anticipate a greater volume of trade. In addition, there is some talk of creating a state-backed trading exchange, as Malaysia has recently done, to market primary commodities and anufacturing goods.

But despite oew regulations and the attempt to increase liquidity in Singapore, it is unlikely that the market will soon rival the activity in

"Singaporeans are very conservative traditionally and speculation is not part of their nature," a member of a U.S. brokerage firm said. "Tighter regulations will not change that attitude overnight."



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Banking and Finance in ASIA

Hong Kong Rent Action Causes Concern

CONTROVERSIAL decision by the govern-A CONTROVERSIAL decision by the govern-ment in Hong Kong to lift all rent controls on luxury apartments is likely to make banks think again about whether they should base their Asian operations in Hong Kong or Singapore.

The government's move means that from this December, a middle-order expatriate bank executive could cost his employers as much as \$6,000 a month in accommodation alone. For senior management, the figure could well be three times that. Banks will now have to decide if the cost of

staying in Hong Kong is adequately compensated by the advantage in facilities the colony has over It is a problem that banks and foreign concerns have had to confront before, but with the prospect of rents soaring by as much as 400 percent at the end of the year, it will probably be treated with

considerable urgency this time. Many banks are reluctant to discuss the matter publicly, partly out of fear of losing their qualified local staff. There is a real anxiety that locals might start looking for alternative employment if they suspect that their expatriate department head is to be sent to Singapore and the section closed

Contingency Plans

Asked if it had any contingency plans, Citibank replied that it was not company policy to discuss personnel matters. But inside sources say that as a stopgap measure the bank will downgrade expa-triate housing when the leases on the present premises expire. Executives will be told they will

have to make do with smaller apartments. For Citibank and the other banking houses, the question whether or not to move base to Singa-pore is a complicated one. Singapore is undoubtedly cheaper in many ways, and the economic infrastructure is sound. But in vital areas, it cannot match Hong Kong.

Communications in Hong Kong are excellent.

The telephone service is extremely efficient, telecommunications are first-class and Hong Kong is a very convenient center for air links with

But its greatest advantage over Singapore, as far as bankers are concerned, is the quality of its legal backup facilities. Syndicated loans can be a complex business and expert legal advice is essen-tial. Hong Kong can provide it while Singapore cannot, or at least not in the same quantity.

The laissez-faire approach to business in Hong Kong, despite a growing chorus of protests about government interference, is also a persuasive inducement to the banking community. Add to this the fact that company tax is 16.5 percent, against 40 percent in Singapore, and the reasons for staying in Hong Kong are evident

But there is the bottom line to be considered. With the margins on syndicated loans in Asia so-

marrow, accommodation costs running into six figures a month can be a heavy financial burden.

The feeling in the banking community is that some expatriates will be moved to Singapore, while banks coming into the region for the first time will make up their balance sheets and decide against Hong Kong.

- PETER CORDINGLEY

and two with the Japanese - have

been signed with an investment of about \$900 million, according to

Asia Is a Target as Insurance Companies Aim Abroad

By Danielle Donougher

WITH the economic recession in the West reducing the profitability of the insurance industry, companies are increasingly looking to overseas markets for expansion. The highly competitive European and North American markets are generally regarded as saturated and unlikely to provide much scope for real growth until the economies pick up. Asia, where economic growth rates of 7 percent or 8 percent are not unusual, is seen as an obvious target area.

The downturn in the underwriting cycle accompanying the recession has encouraged insurers to lower premium rates and maintain profitability largely on returns from investment income, boosted in recent years by high interest rates. In the medium term, the reduction in premium income means fewer funds to invest, reduced returns and consequent liquidity problems — hence a constant search for oew markets.

In addition, erratic foreign currency movements are forcing com-panies to internationalize as a means of spreading risks.

On the face of it, the popular view of Asia as a source of new premium income would seem to be justified. Hong Kong and Singa-pore are fast developing as finan-cial centers, spurred by property and construction booms. Other countries such as Indonesia and Malaysia have embarked on ambitions investment programs, often

involving beavy capital expendi should cootinue as their own oeed tress, and were owned by compa-

Throughout the region, the leve of life insurance remains very low compared with the highly protect ed West. A recent survey showe that only 4 percent of Hon Kong's population holds life coverage, while in Singapore the figure is 12 percent. The potential for expansion

would seem to be enormous, and indeed growth in some countrie has been substantial. Although or reliable official figures exist, one estimate suggests that the Hong Kong market has grown from a total premium income of about HK\$375 million in 1971 to HK\$2.1 billion in 1980. But, while the Asian market bas grown and is still growing very fast, it remains small in global terms. Additionally, while Hong Kong provides unrestricted access for

overseas business and Singapore is intensifying efforts to develop as a reinsurance center, most other countries in the regioo impose some form of restriction on overseas operators. According to M.N. Somerville, general manager of the insurance division of Jardine, Matheson in Hong Kong, about 60 percent of the Asian insurance market is reserved for locals. "You're talking about a fairly small slice of a very small cake,"

As economies develop, countries that restrict foreign access will probably find it necessary to relax their regulations, Mr. Somerville said. Asian countries already place a considerable portion of their reinsurance abroad, and this

to spread risks increases. Earber this year, for example, the Financial Times World Insurance Report noted that South Korea had agreed to revise a requirement that foreign companies wanting to parucipate in insuring local risks must also assume a share of the domestic industry's reinsurance requirements - that is, take oo the insurance of existing cover. Although the move is unlikely to be repeated in such places as Indoocsia and

Low Taxes

developments.

Malaysia just yet, it could be seen as an indication of future regional

With its reputation for minimum control and for low levels of taxation, Hong Kong has proved particularly attractive to overseas companies. In recent years, increasing numbers of companies have set up operations not so much to do business locally as to manage activities elsewhere. The advantages of such arrangements are diminishing, bowever, as Hong Koog becomes an ever more ex-pensive place in which to rent office space and residential accom-

Meanwhile, oew capital requirements for insurance companies introduced earlier this year have persuaded many smaller firms to leave. Sixty of the 350 companies registered in Hong Kong have closed since the regulations came into force, but government insurance official Brian Wilcox stresses that most of those that left were doing very little insurance busi-

nies with interests in other fields.

Hong Kong is also seen by some as the base for potential expansion into China, with many companies in the territory developing relations with the state body, the People's Insurance Company of China (PICC). But no insurer has yet come to Hong Kong specifically to do business with China, industry sources say. Earlier this year, Consumed the first U.S. reinsurance policy for the PICC covering an American risk in China through its Hong Kong affiliate, Asia Insur-

China itself is increasing its international participation, and has placed reinsurance overseas for business such as marine and aviation risks, which are exposed to foreign currency fluctuations. China has also been active in accepting reinsurance as a means of earning foreign exchange. But it is that shortage of foreign currency that prevents China, should it wish to, from reinsuring its domestic business overseas. The Hong Kong industry remains hopeful that substantial Chinese reinsurance placements will come its way.

Portuguese Company

The Portuguese, meanwhile, are hoping that Macao, as well as Hong Kong, will attract Chinese business. The Companhia Imperio de Seguros of Lisboo became the first Portuguese insurer to open a branch in Macao in July, as a base for developing links with China. Hong Kong currently faces sub-

stantial regional competition as a financial center from Singapore. The authorities in both places are reviewing insurance legislation, but the Hong Kong government is at pains to point out that its aims are very different from those of

The Singapore government is concentrating its legislative efforts on attracting overseas reinsurers. Trade and Industry Minister Toby Tan has said that the new regulations will ensure that the industry is not bampered by out-of-date rules. The effort has certainly had some success; some industry sources agree that Singapore is now creating the environment for the development of a major rein-

In Hong Kong, the industry has long been under-regulated, and the government is attempting to for-mulate a set of rules under which insurers can operate effectively, at the industry's own request. The aim, Mr. Wilcox said, is not so much to attract new business as to ensure that the existing industry is, and is seen to be, on a sound financial fonting.

Whatever the approaches to ex-pansion in Hong Kong and Singapore and whatever obstacles face international firms operating in the region. Asia will undoubtedly continue to attract overseas insurers' interest. While the regional market may be small, continuing constraints on expansion elsewhere in the world should keep attention centered on Asia as a source of new premium income.

Joint Ventures in China Total 422

114

4.00

FOREIGN investment in joint ventures with China stands at about \$1.65 billion, covering 422 projects in contractual joint ventures, equity joint ventures and what is termed cooperative explo-

· Contractual joint ventures appear to be the most successful both in terms of the number of projects and the size of investment.
The Chinese news agency said that
360 projects involving \$500 million
have been established. Most of the ventures are in the provinces of Guangoong and Fujian.

No equity is involved in this form of cooperation. A foreign company arranges to cooperate operation is governed by a contract, which specifies the contribu-tion of both sides to the project be it in manufacturing or hotelbuilding. Contributions to the project can be made in raw materi-

als, machinery or cash. Contracts vary widely but the usual formula provides for products of the venture and, where applicable, cash profits or a proportion of sales to be divided between the two parties.

In this type of cooperation, management control usually re-mains in Chinese hands. Profit split is not based on the proportion of investment by the foreign partner but is decided by negotia-

A Japanese company, for example, signed a technological cooperation agreement early this year with China's Academy of Sciences providing for Ulvac Corp. of Japan to help the Chinese produce high-precision vacuum pumps. Ul-vac will then import the pumps and market them in Japan.

Much slower to take off are the ventures involving joint equity. In this form of cooperation, the for-eign and Chinese partners join to form a company. Each side takes a portion of the equity. Investment, management control and division of profits are in direct proportion to the partner's share in the com-The foreign partner usually provides funds, equipment and technology, while the Chinese sup-ply sites, labor, raw materials and other services.
The China-Schindler Elevator

Co. is the first industrial manufacturing joint equity venture to be formed since the Chinese officially opened up to foreign investment with the promulgation of its joint ventures' law in July, 1979.

Formed in 1980

The company was formed on July 1, 1980. The Chinese partner is the China Construction Machinery Corp., which holds 75 percent of the equity. The foreign partners are Schindler Holding with 15 per-

cent and Jardine Schindler (Far drilling - two with the French East) Holdings with 10 percent. The company has a registered capital of \$16 million. Chinese investment took the form of factory buildings, machinery and old inventory. Foreign investment was in

Profits are divided in direct proportion to shareholdings. The ven-ture made 7 million RMB in profits in its first year. About 10 percent was deducted for workers' bonuses and welfare funds. The rest is shared by the participants, but no money was actually taken out. The joint venture agreement provides for all dividends to be reinvested in the first three years; in the following three years, half of the dividends are to be reinvested.

The venture's tax rate is 31.5 percent instead of the standard 33 percent because the agreement was drawn up before the tax law was passed and the government under-took to protect concessions written into contracts and approved by the Foreign Investment Commission.

China has entered into 58 joint equity ventures worth \$300 million at home and overseas. Twenty-two of the ventures, with a total investment of \$210 million, operate in China and more are in the pipe-

Property Investment

Property investment can take the form of cootractual joint ventures, which are favored by residential developers, or joint equity ventures, which are favored by hotel developers.

Sole equity ventures are still rare in China, although foreigners are allowed 100-percent ownership of projects in the special zones. The most prominent example is the Bamboo Garden Hotel venture in

The hotel project was started by the Chinese but financing probthe Chinese but Infancing prob-lems persuaded them to min it over to their Hong Kong consult-ants. The Hong Kong company, Millie's Holdings, was at first in-vited by the Shenzhen authorities to supervise the management and the running of the hotel. The company was to get 10 percent of the profits for three years. But five months later the Shenzhen authorities decided that the project was too expensive. They had a 9-million-RMB loan agreement with a Hong Kong bank. Millie's Hold-ings took over the loan and the project. The hotel began operation

Perhaps potentially the most lucrative investment is in oil exploration. China is moving toward pro-viding a legal framework for in-vestment but for the moment investors are feeling their way with agreements made on a case-by-case basis. Tax rates for what the Chinese term cooperative exploration are being drafted.

Thailand Indonesia Business in Asia? Philippines Singapore Hong Kong ----(1905) 46 (48,71) (1884) المورودية (12) أو (13)

China Luring Funds

(Continued from Page 7S) tures and in getting a foot in the door of the Chinese market. The two provinces have also

been given more autonomy than other provinces in their business dealings with the outside world. This means speedier negotiations and more flexible interpretation of government rules and regulations. Major non-Chinese foreign in-

vestment has tended to take the form of joint equity ventures. The Chinese State Economic Commission said in June that 22 such ventures with a total investment of \$210 million were operating in China at the end of March.

The ventures include eight in the light and textile industries, five in electrical machinery, four in tourism and one each in food, brewery, pharmacy, pig raising and leasing. Unofficial figures show that another seven joint ventures are in the

Profits Publicized

The Chinese publicized the profits of the early ventures. Beijing Air Catering Co. announced prof-its of 550,000 RMB (\$11.7477 RMB) in its first year. The compaon provides in-flight meals for the Chinese sirline CAAC. The for-eign partner is a Hong Kong-regis-tered company owned by Hong-

kong Land subsidiary Dairy Farm, the Bank of East Asia and James-

The other profit-maker is the China Schindler Elevator Co. which announced profits of 7 million RMB, 1.3 times the figure pre-dicted in feasibility studies. The foreign partners are Schindler Holding of Switzerland and Jar-dine Schindler (Far East) Holdings

of Hong Kong.

Despite the welcome mat and the public relations, China still has a long way to go in instilling investor confidence. Profit figures, in the absence of standardized accounting procedures, are merely a statistical game that raises more questions than it answers.

The lack of comprehensive legis-lation turns feasibility studies and risk assessments into so much guesswork. And China's cumbersome bureaucracy and tedious negotiating procedures try the pa-tience of all but the most persever-

China has promised improvements in all these areas. Accounting regulations, company law, patents law, more detailed legislation covering various aspects of foreign investment are said to be in the pipeline. And a streamlining of the bureaucracy is also said to be un-

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Banking and Finance in ASIA

Japan's Economic Outlook Remains Good

By Robert Y. Horiguchi MIDWAY in the current fiscal year ending next March 31, the Japanese economy, buoyed by a vigorous export wave, is moving

in measured strides toward its target of a projected 4.7-percent annual growth.

A brisk external demand has more than compensated for re-

duced domestic consumption, although the pattern of economic activity is patchy, with problems in some sectors such as the backbone industries for basic materials that are plagued by an excess capacity of a structural character. Also in the doldrums is the residential con-struction industry, while plant and equipment investment by small and medium-size industries re-mains singgish, although capital spending by big firms is on the in-

But the outlook in the business community, reflecting a confi-dence that the economy as a whole remains healthy, is upbeat, and predictions are that the profit picture should improve in the latter part of the fiscal year beginning in

A recent survey of 4,712 corpo-rations by the Bank of Japan, with a 90-percent response rate, indicated that manufacturing industries foresee a 54.6-percent increase in operating profits in the October-March period. These profits are estimated to have dipped 18.3 per-cent in the April-September semes-

ter against the previous half-year. Profits in nonmanufacturing in-dustries during the October-March period are expected to grow 36.3 percent, except in the gas and electric power sectors.

Consumer Spending

The weakness in consume spending is cited as a major cause for the poor domestic demand, a development that is causing the Economic Planning Agency to drastically revamp its January blueprint for the nation's econo-

According to this official scenar-io, domestic demand was to pro-vide the main thrust for growth in fiscal 1981, and the current-ac-count balance would show a \$6billion deficit at the close of the

Actually, exports provided about two-thirds of the growth in the gross national product in the first six months of the fiscal year, while the current-account balance averaged a \$2-billion surplus each month. At this rate, the current-ac-count balance surplus threatens to soar to \$6 billion in fiscal 1981, instead of the foreseen \$6-billion

Although exports dipped 12 percent from their July figure in August, they still amounted to \$11.683 billion for a 7.8-percent growth from the corresponding month last year. Sixty-four percent of these exports consisted of machinery and appliances, with ship exports increasing 22-fold from a year

Signs are that this reliance on exports for economic growth is likely to continue into the second half of the fiscal year.

Export Forecast

Thirty-three major trading houses, which between them handle 60 percent of total exports and 70 percent of imports, foresee that seasonally adjusted yen-based exports on a customs clearance basis will rise 5.3 percent in the October-March period from the previous semester. This forecast was made by the Economic Planning Agency on the basis of a survey in mid-September. A growth in imports, 4.4 percent larger than in the March-September semester, was

The reason for sluggish consum-er demand is hard to see, as disposable income has been on the increase. Wage increases have been on an average of 7.8 percent this year, while inflation has been kept year, while inflation has been kept to an annual level of 5 percent. Ac-cording to the Labor Ministry, nominal wages had risen 6.7 per-cent in July from a year ago, while consumer prices had only in-creased 4.4 percent, for a 2.3-per-

cent boost in real wages. Housing starts in August dipped 16.7 percent against July, with only 97,165 new starts reported. This downward trend in residential construction has prevailed since 1980, when only 1.2 million new housing units were built, against 1.5 million in 1979.

The struggle for survival being waged by medium-size and small businesses was reflected in the was reflected in the number of bankruptoies registered in the July-September quarter. These reached a high of 18,000

when calculated at an annual rate. Alling industries, diagnosed to suffer from structural deficiencies that prevent them from coping with a slow domestic demand, include oil refining, petrochemicals, aluminum smelting, caustic soda, electrolytic zinc, ferro-alloys, carbide, paper and abrasives. All are

heavy energy consumers. A number of these industries attribute their problems to the high cost of electric power needed to manufacture their products. In the case of caustic soda, power represents 75 percent of production and carbide production it is 50

from countries with lower power costs have seriously affected the domestic industry. While imports are available at 440,000 yen a ton, the local product is priced at 550,000 yen. Imports reached a record 840,000 tons in 1980 and stood at 577,000 tons in the first seven months of this years up 23 seven months of this year, up 23 percent from a year earlier.

With production down to 50 percent of capacity since mid-1980, the Naoetsu plant of the Mitsubishi Light Metal Industries Co., the largest in Japan with a capacity of 160,000 metric tons a year, will shortly be closed. Mitsu-bushi, which also owns a 76,000ton-a-year plant in Sakaide, is planning to sell its surplus facili-

The Industrial Structure Council has recommended that domestic aluminum ingot production be cut to 700,000 tons annually from the

present 1.1 million tons.

The paper industry is in

percent of its production capacity idle. The government plans to impose a two-year ban on new plant and equipment in this industry,

Across-the-board production cuts are in effect in the petrochem. ical industry. Low-density lyethylene manufacture has been reduced by 40 percent between August and October under an industry-wide .cartel ..agreement while vinyl chloride production has been trimmed 51 percent from May to October. Ethylene output has been reduced 60 percent, with monthly demand at 300,000 tons when production capacity is 6 mil

lion tons a year.
Toshio Komoto, director-gene al of the Economic Planning Agen-cy, has said that the government will have to revise its economic ered on domestic demand and achieve equilibrium in the current

Serious doubts are being pressed by economic experts such a turnaround is pos cause the government's hands are

has announced the outlines of the most anstere budget in 20 years for 1982, is unlikely to loosen its purse strings to pay for new steps to stimulate demand.

Total requested government penditures in fiscal year 1982 are put at 49.466 billion yen, for a 5.7percent increase from the present budget. This growth, however, is only 1.8 percent when allocations debt service and revenue-sharing with the provincial administra-

ons are deducted. The fiscal year 1981 budget in cluded a 26-percent deficit, which was covered by bond issues. In the next fiscal year, the government plans to trim by 20 percent such borrowing so as to put its fiscal

Region Is Attractive to Foreign Investors

(Continued from Page 7S) that some attractive potential bor-rowers are simply not borrowing. either because they do not need to or because they are put off while

orld interest rates remain high. Softer-than-expected demand has allowed some big borrowers, including the Philippines, to bor-row on extremely favorable terms. The banks' heavy exposure in the Philippines had made them reluctant to lend much more there.

Bankers view regional factors in a kindly light. Growth projections

are far above those for the rest of the world. Hong Kong, Singapore, Malaysia, Thailand and Indonesia all expect real growth rates of more than 7 percent this year, while in the Philippines the figure is nearly 6 percent — all several percentage points higher than the figures expected for the industrialized countries. And although debt service ratios are expected to worsen, the region is forecast to re-main within manageable limits, unlike Latin America, the Carib-

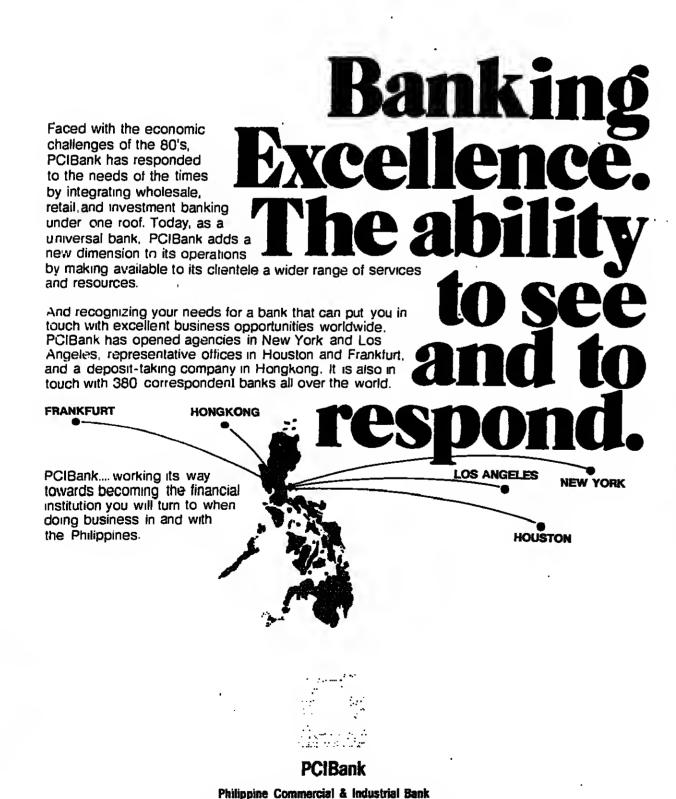
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bean and most of Africa.

worldwide syndicated borrowing dropped by 5 percent last year syndications in Asia held steady at about \$14 billion.

Asia's best customers are some of the best risks in the world, a fact that is reflected in the spreads that some customers are commanding in the private market. Malaysia is top of the league with loans at three-eighths to a half-point above London interbank offered rates for a 10-year term.



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BANQUE FRANÇAISE DU COMMERCE EXTERIEUR



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By Peter Cordingley

THERE is a considerable paradox in the attitude toward Asia of deposit-taking companies. They constantly complain about the poor margins on syndicated loans, but they are all in there fighting for a share of the market and helping to keep the margins

As a Hong Kong banker said, "You'd think no one needed assets so badly they would get involved in some of the margins around here, but they seem quite happy to pick up almost nominal participa-

The reasons for the companies' sence are not difficult to identify. Asia, they agree, is the place to be. They see its potential for economic growth as greater than that of its nearest Third World rival, Latin America

This is particularly true of U.S. banks, which for the most part are underlent and need to build up their international portfolios to ensure expansion. From the subcontinent to the South Sea islands,

Asia offers opportunities.

One of the keys to the issue probably lies in the region's relative political stability. Bankers say they see little real cause for anxiety around Asia, except for the Philip-

A loan expert actively involved in the Philippine market said there is concern about how long President Ferdinand Marcos will stay in power, despite his recent election for another term. In particular, bankers fear that in a post-Marcos Philippines there could be a backlash against the present closeness of ties with the United

Despite this, and despite the fact that for a number of years the Philippines has been experiencing debt-servicing problems, the Cen-tral Bank still manages to command margins of three-quarters of a percentage point when it goes to the market.

India has been more active in the loan market recently, but here again margins have been extremely narrow. Four years ago, the Oil and Natural Gas Commission negotiated the country's first sovereign risk loan, guaranteed by the government, at I percent. But now margins are down to about threeeighths. Nevertheless, analysts say there will be no shortage of credilors if, as is expected, the private sector goes to the market over the

In Thailand, margins have for

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bottom as the banks are likely to gold centers of Zurich and London. go. One banker complained that five-eighths is now virtually no more than a dream. It is the same story in South Korea, where, de-spite all the recent political tur-

moil, banks are falling over each other for a part in syndications. Malaysia has again been active during the last 12 months, but the general belief in the banking community is that this has had less to do with a genuine need than with maintaining a name in the market.

Bankers say the American non-recognition of Taiwan has had lit-tle impact on the confidence of deposit-taking companies. Some American banks appear to be a couple of steps ahead of the State Department in their attitude to the "two Chinas" issue. Conveniently, they now argue that Taiwan is an integral part of China, so why should the Peking authorities be concerned about their doing business with Taipei?

It would appear, for the moment at least, that merchant banks are considerably happier putting to-gether loans in Taiwan than in China. They say large portfobos can be generated more quickly in Taiwan, and the local business community understands procedures. By contrast, after more than 30 years of dissociation, the Chinese are unsophisticated and simply do not understand the mecha-

sm of loan syndications. But there is no doubt that, for most deposit-taking companies, the magnet in Asia is Hong Kong. Syndicated property-market loans of \$250 million are not uncommon, and with margins up to one and three-quarters percent, the British colony is virtually irresisti-

There is a growing feeling that, after 18 months of unbridled growth, the Hong Kong real estate market may be entering a period of consolidation. During the last few months, there have been frequent cases of plots of land being withdrawn from the market for lack of interest.

Many analysts believe that this, coupled with the narrowness of margins elsewhere in Asia, may produce a change of emphasis in syndicated loans operations. The belief is that, in general, merchant bank shareholders will react against the margin situation. Put simply, shareholders can invest in certificates of deposit for a better

Deposit-taking companies may rewarding ventures.

Plugging the Time Gap on Gold Futures

TNVESTORS who turn to that perennial hedge. gold, can sleep more easily now that two Asian centers are plugging the time gap between the fu-tures markets of New York and the European

Singapore opened the first international gold futures market outside North America in 1979 and was soon trading 600 lots a day. Hong Kong followed suit in August of last year, scarcely concealing its glee at establishing gold futures trading before London.

Both markets have the advantage of opening just before New Yorkers go to bed and well before Londoners get up, but both have found that all that is gold does not glitter.

The dramatic downturn in all world commodities markets — many are trading at only 20 per-cent to 30 percent of last year's levels — hit the fledgling Asian gold markets badly. Hong Kong's turnover, which reached 700 lots at the start, dropped to an average of 200 lots a day, and has been below 100 lots on several occasions, while Singapore these days can trade as many bargains

on the curb market as it does in official dealings. Many traders thought that the two markets would complement each other, giving arbitrage opportunities and spurring a wider interest in gold, rather than steal each other's business. Officials of both exchanges stick to that view, believing that the fall in trade is part of the world trend.

Where the two markets differ is in their reaction to the fall in trade. Singapore has introduced a kilobar lot alongside the internationally traded 100 troy ounces contract that is the staple diet of the two Asian exchanges. The aim is to bring the smaller trader into the market at a more manageable price.

Such a move has been considered and rejected in Hong Kong. According to the chairman of the Hong Kong Commodity Exchange, Peter Scales, if there are two sizes of contract for the same commodity, one inevitably becomes dominant, leaving the exchange with only one basic contract after all. He also feels that tinkering with contract specifications, especially in such a young market, will lead to fears that the exchange is panicking in

an attempt to drum up trade.

Hong Kong has another advantage in that it has a stronger tradition of respect for gold. Before the futures market was established, spot gold was traded on the Chinese Gold and Silver Exchange,

turn away from the traditional medium-term market toward what

may be the future in Asia; natural

banking arm of the Hong Kong and Shanghai Bank, is one of the

leaders in this field. It was in-

volved in arranging a \$28.5-million

loan to the Ramu Sugar Corp. in Papua New Guinea — the first pri-

While acknowledging that the intensity of competition in the syn-

dicated loans market will keep

investors bound into traditional operations, Wardley and a number

of well-established merchant banks

in Asia forecast a spinning-off at the edge into new and more

vate sector financing there.

Wardley Ltd., the merchant

a colorful institution dealing in a unique contract based on the tael, which equals 1.19 ounces. European traders in particular had long used

this market as a hedge against deals made in New York, with the result that it became the third spot gold market, after New York and Zurich.

Hong Kong traders were well-established in gold futures long before the new market was es-tablished. Up in 40 percent of Singapore contracts were estimated to originate in Hong Kong, and a substantial portion — probably 20 percent in 30 percent — of New York contracts also involved Hong Kong traders.

The Hong Kong gold market has expanded with the arrival of more overseas dealers, including all five London gold market members, and representatives from Japan, Southeast Asia, Europe and North America are members of the Hong Kong Commodity Exchange.

Perhaps the greatest boost to Hong Kong's prestige has been something that was unintended Unlike Singapore, which arranged local physical delivery, Hong Kong chose London as its delivery point because the British capital was regarded as the No. 1 gold center.

Hong Kong exchange officials had reckoned without the value-added tax, which the British collected on deals emanating from Hong Kong. The tax could be reclaimed, but the process was time-consuming and inconvenient. So in August physical delivery switched to Hong Kong, and local buyers who preferred their holdings close at hand gained the added bonus of finding that stor-

age charges worked out cheaper.

Another move that boosts Hong Kong interest is that spot delivery was added in September in addition to the even months for which futures contracts are available.

Despite the doldrums gold has been in - and Hong Kong can hardly have chosen a worse moment for a launch, coming in, as it did, at the top of the market — the metal has been a great boost for the commodity exchange. Gold trading. at \$10 million a day, is equal in value to the soybean, which has been the success story in volume terms of the Hong Kong exchange.

The two longer-established commodity futures

traded in Hong Kong, cotton and sugar, languish with a turnover of about \$5 million between them, Since gold was introduced, the exchange has been paying off the debts incurred in getting established at more than HK\$100,000 a month.

Development Picture Is Gloomy

Manila of the Asian Developnational economies of the region are in a worrying state.

While the ADB would appear to agree in principle with the private finance houses about the potential for growth in the region, its assessment for Asia today is considerahlv less effusive.

As the major catalyst for invest-ment aid in the region, the ADB is unique in that it has both a comprehensive overview of economie trends and a presence at the grassroots level.

Working on the data drawn from these two sources, the ADB concluded in its annual report released earlier this year: "The general economie performance of most developing member-countries in 1980 compared unfavorably with that of 1979."

A careful study of the accompanying statistics suggests this con-clusion somewhat understates the seriousness of the situation.

Encouraging Signs

There are some encouraging signs. India, Pakistan and Burma all increased their agricultural output compared with the near-disastrous harvests of 1979; oil exports belped Indonesia and Malaysia record healthy trade surpluses and increase their gross domestic prod-uct growth rates; and Hong Kong and Singapore maintained their progress thanks to industrial diverdification and domestic construction booms.

But the overall picture remains one of gloom. Between them, the bank's 29 developing member-countries (DMCs) had a record trade deficit last year of \$17 billion, and this figure takes into account the combined surplus of \$12 billion registered by Indonesia and

Across the region, the growth rate of total exports was down in ment Bank (ADB), virtually all the 1979, while the rate of imports continued to rise. Significantly, in those cases where the growth rate of imports fell off in 1980, the partial reason was not so much good economic husbandry as the stark faet that less people could afford

foreign goods. The largest increases in trade deficits were recorded by India, Sri Lanka and Burma. India's rose from \$1.9 billion to \$6.8 billion, Sri Lanka's from \$467 million to \$945 million and Burma's from \$129 million to \$295 million. Seven other countries had lesser but still significant increases in their trade gaps, while China's tradition-al large surplus was virtually wiped out for the first time in several

Economic Forces

The ADB's Manila staff of a litthe more than 1,000 people has the prodigious task of turning this sicuation around. But, ironically, the bank itself fell vietim last year to some of the economie forces that affect its client countries. In July, it bad to increase its lending rate from 8.1 percent to 9 percent. This year it has managed to avoid another rise, but observers say there will have to be another review if international rates stay at their

Overall lending by the ADB last year was up 15 percent from 1979, in nearly \$1.5 billion. Of this sum, about two-thirds came from Ordinary Capital Resources and the ance from Special Funds.

Altogether, a total of 58 projects in 17 countries — ranging from an irrigation project in Nepal to a public-housing venture in high-rise Hong Kong — received help from

The size of some projects is such that the ADB cannot fund them alone. In those cases, it arranges

ly with commercial banks.

Last year, for example, nearly 90 percent of the co-linancing was with official sources such as the World Bank, the World Health Organization, the European Econom-Community and the OPEC Fund for International Development.

Energy Schemes

Energy schemes are particularly eostly, and it was in this sector that most of the co-financing took place. Here, nearly 70 percent of the funds came from sources other than the bank.

In general, energy projects take second place in the list of priorities promotion of agriculture. The bank's reasoning is sound enough.

Apart from the obvious social need to provide enough food for every-one, developing countries must limit food imports to reduce forcign payment deficits. The ADB's view is that Asia has little option but to seek greater self-reliance through a sustained long-term in-crease in agricultural production. For that reason, food output

will probably continue to attract at least one-quarter of the bank's fi-nancial resources over the coming

Looking ahead to Asia in 1990, the ADB forecasts that its member-nations' resource needs will have grown in current prices from today's \$27 billion to a depressing \$63 billion, and it acknowledges the projection is conservative.

For one thing, it is based on an annual average increase, in nomi-nal terms, in oil prices of only 10 percent. Should the cost of petroleum soar as it did in the 1970s, or should there be a series of poor harvests, the financing needs of Asia's developing countries could go off the end of the scale.

— PETER CORDINGLEY

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Rising U.S. Inflation **Leads to Buyer Caution**

By Carl Gewirtz

PARIS - There was a standoff in the Eurobond market last week Lenders remained cantious about making new commitments, and borrowers were holding back hoping to tap the market at rates lower than they would now need to pay.

Investors' caution was not unustified. Inflation, which erodes the value of money committed to fixed-income securities, crept up again after having dropped sharp-ly. The U.S. Commerce Department at midweek reported that in-

EUROBONDS

flation in the third quarter spurted to a 9.4-percent seasonally adjust-ed annual rate from 6.4 percent in the second quarter. The Labor Department on Friday announced a 1.2-percent rise in September con-

In the meantime, fears have been fanned that the U.S. government's need for cash is going to be huge and that as a result competi-tion for money will drive interest rates sharply higher unless a very deep recession forces industry out of the credit market.

The Treasury this week will auction a record \$9.4 billion of shortterm bills and is scheduled to announce the size of its quarterly refunding operation to be held next month. Given last week's admission by the Reagan administration that the federal deficits through fiscal 1984 are likely to be larger than had been projected, there is considerable worry that the Treasury will be looking to borrow very

Troubling Pattern

Henry Kanfman, the Salomon

Brothers economist, commented: "The recent pattern of economic developments is troubling. It suggests further aggravation of corporate liquidity strains ... Externs corporate financing remains heavy and is being facilitated in the short-term sector. This situation is, of course, hardly helped by mas-sive Treasury financing needs, which in a very shallow recession hinder the reliquification and necessary debt extension of private borrowers. If the economy were moving into a normal recession.

significant a problem. "The only ameliorating influence in this situation is the continuing monetary accommodation.
The Federal Reserve still has considerable leeway to provide addinal reserve infusions before M 1B threatens its long-run targets."

this 'crowding out' would not be as

As widely forecast, the M-1B measure of money supply declined \$1.5 billion in the week ended last Wednesday, leaving analysts convinced that short-term interest rates will continue softening.

The impact the rate decline in the short-term market will have on the bond market remains a subject of considerable debate. Many analysts do not believe long-term rates can fall substantially, because the pent-up corporate demand for long-term funds is enormous. Nevertheless, investment bankers re-port that potential borrowers are holding back from launching issues in the hope they will be able to sell bonds bearing coupons low-er than what they would have to pay today.

17% Threshold

Currently, issuers willing to pay 17 percent find a ready market; at rate appears to be a threshold of sorts. Bankers report that many investors, especially individuals as opposed to institutional clients. believe that regardless of how much higher long- and short-term rates may climb over the near term, paper bearing a coupon of 17 nt or more is bound to prove to be a sound investment.

Thus, British Columbia Hydro's \$100 million of seven-year paper, priced at par bearing a coupon of 164 percent ended last week at 97 for a yield of 17.01 percent.

Caisse Française des Matières Premières, the French credit institution for raw materials, had a better reception selling \$100 million

Sudan, IMF Reach Accord on Terms Of Standby Credit

KHARTOUM, Sudan -- Sudan, Africa's largest state and one of the world's poorest nations, has reached agreement with the Inter-national Monetary Fund on a new \$220-million standby credit, Finance Minister Badr Din Suleiman said Sunday.

Agreement has also been reached separately for the rescheduling of some \$425 million in outstanding debts to foreign com-mercial banks, the Sudanese minis-

Sudan failed to meet the conditions of a three-year credit granted by the IMF in 1979. The new oneyear standby credit, which still must be approved by the IMF board, replaces the final part of the 1979 agreement.

Mr. Suleiman declined to say what terms had been agreed for the new credit. But financial sources said they included cuts in subsidies on certain staple products such as sugar, wheat and floor, a possible devaluation of the pound. and a ceiling on public borrowing.

of retractable adjustable-rate 15year bonds.

Holders have the option to redeem the paper at par at the end of each three-year period — 1984, '87, '90 and '93 — leading up to final maturity in 1996. In return, the borrower reserves the right to set a new rate of interest for each three-year period. How that rate will be determined has not been spelled out and all the borrower promises to do is to publish 60 days in advance what the new coupon will be.

Launched last Tuesday and cheduled to be priced this week, the issue was closed early on Fri-day. The coupon for the first period was set at 16% percent and the paper was sold at a discount of 99% to yield investors 16,92 percent. Late Friday, the bonds were quoted at 98%-99% for a yield of

just over 17 percent.

This formula, developed in the Euromarket, is now being translated to the U.S. market by Bank of America, which plans to issue \$200 million of eight-year paper in New York. It will be priced to yield, for the first two years, about I per-centage point over comparable Treasury bills (which currently yield about 15½ percent), paying about 161/2 percent on a semis al basis — equivalent to about 17 percent on the annual compon basis used in the Euromarket. Thereafter, Bank of America says it will set the coupon at a mere half-point

over the Treasury bill rate. Only one fixed-rate dollar issue is currently on offer. Consolidated-Bathurst, a Canadian pulp and paper company, is selling \$60 million of seven-year bonds expected to carry a coupon of 17½ percent.

The issue price will be set Tuesday, A sinking fund, which begins oper-ating in the fifth year, will reduce the average life of this issue to 6½

The proposed \$50-million, 15-(Continued on Page 15, Col. 2)

By Carl Gewirtz

PARIS - Skinny margins on syndicated loans are rapidly going

The latest borrower to discover this is Petrocorp of New Zealand, which is seeking \$500 million at a split rate of 0.25-0.35 point over

the London interbank rate for five years and 0.25-0.35-0.45 point over Libor for 10 years.

Acknowledging that the return

LOANS

offered lenders was not sufficient, Petrocorp agreed to sweeten the

fee structure. Whereas previously

lenders had been offered a partici-pation fee of 1/16 percent, they are now being offered 3/16 per-cent on a take of \$20 million

and 14 percent on a take of \$50

Lead manager European Bank-

ing Corp. says the increase in fees was aimed at bringing the yield to lenders into line with those offered

by Austria and Electricité de

France, and that the decision to al-

ter the terms was made prior to any significant reaction from the

Sluggish Response

However, even with the altera-

tion, it is no secret that the response has been sluggish. About

half the loan is spoken for - a not

abnormal level at this stage of syn-dication, EBC says, adding that "given how finely priced it is, no one expected an immediate sel-

The problem Petrocorp is run-ning into is that relative to the

terms offcred on other transac-tions — notably Malaysia and In-donesia, which both are paying %

point over Libor for 10-year money — the New Zealand govern-ment-owned company is offering terms commensurate with its credit

standing, but the absolute level of return is just not adequate to ap-

Austria, another infrequent and

highly regarded borrower, also felt compelled to adjust the terms it is seeking from the market in light of the low rates offered to Malaysia

and Indonesia. Initial soundings of

the market were made at a split 1/4-1/2 point over Libor, but when the loan finally surfaced, the mar-

gin was set at % point over Libor
— with Austria reportedly refusing

to be seen paying a margin of 0.5 point over Libor when Malaysia

Managers insist there was no al-

teration as there was no mandate

at those terms. Nevertheless, the

shape of the loan is considerably

different than had been indicated

The loan is for 10 years instead of eight and the size is \$400 million instead of the \$300 million expect-

ed. Fees are reported to total 0.25

By one estimate, bankers lend-ing to Austria will earn 0.43 point over Libor when all the fees and

commissions are added, compared

to 0.41 point over Libor being of-

fered by Petrocorp and the 0.41 offered by EDF if it calls into use its

\$500 million standby. Indonesia and Malaysia actually yield more than half a point over Libor due to

the more generous fees and com-missions they are paying. But however misleading it may

be to look only at the margin over Libor instead of the whole package

of costs, it is clear that the optical-

ly low margins won by Southeast

and Indonesia were not.

market to Petrocorp's proposal.

SYNDICATED

out of fashion.

nal Herald Tribune

By Elizabeth Bailey New York Times Service

LONDON - Recently, Sir Freddie Laker has been appearing on television extolling the virtues of Wedgwood china, padded earphones, widely spaced seats, and the endless streams of champagne on Laker Airways' transatlantic flights. He is promoting his new "Re-gency" first-class air fare for business travel, which costs a whopping \$526 one-way, \$322 more than the standby fare that made his name a household word.

Is this the same Freddie Laker, champion of backpackers, pensioners and the "forgot-ten traveler," the same man whose name is synonymous with cheap, no-frills transatlantic fare?

Yes. And then again, no. Sir Freddie still sees himself in battle against the big guys, among whom he now includes his bankers as well as his familiar opponents, the major air-lines. But in addition to battling the airlines in his traditional preserve, the low-cost economy fare, he has gone into the high-priced end of the market in an effort to lift sagging profits.

If Laker Airways hoped to see the fight end there, it has been proved wrong. Pan American World Airways has cut some of



its New York-to-London fares to levels matching Laker's. It of-fers a \$526 one-way, businessclass fare and a \$261 economyclass fare. And while Sir Freddie's new Regency fare has offi-cial approval and Pan Am's fares do not yet, just how long he will stay ahead is open to

question. Laker Airways, which began

and gained notoriety in 1977 with its low-fare transatlantic Skytrain service, has hit a snag. Sir Freddie has claimed Laker

would match last year's pretax profit of \$5.4 million, but said that a falling pound in relation to the dollar would cost Laker more than \$10 million this year. Sir Freddie responded in August

issues, but ministry officials

said that contrary to some industry

to the expected loss by asking his creditors - publicly - for a postponement of payments due on loans to buy new aircraft.

"Everybody's trying to mess me up," he said then. Sir Freddie, whose planes fly from Lon-don to New York, California and Florida, blamed his bankers for bad advice on exchange rates, and the British and U.S. governments for keeping inter-

est rates so high.

The decline of the pound in relation to the dollar hurt Laker because its debts are denominated in dollars and the planes it buys, many of them U.S.-made, are paid for in dollars. Most of the company's revenues, on the other hand, are in pounds. Laker Airways is struggling

with two loan packages. One, a with two loan partages. One, a \$131-million syndicated loan managed by Midland Bank International, was made in January, 1981, to finance three Airbus A-300s. Though Laker has asked for a deferral of payments on that loan, the next installment is not due until January. None of the banks involved has commented on whether the loan will be deferred.

The other was a three-part, \$228-million loan agreement signed in May, 1980, to finance five McDonnell Douglas DC-(Continued on Page 15, Col. 1)

look for 1982, Mr. Hammarskjöld

said that "the only solution for an

improvement is to bring down the

break-even requirements by reduc-ing costs and increasing yields." Mr. Hammarskjöld, a Swede

who was appointed to the job in

1966, reported that international air travel will continue rising.

though patterns vary from region to region, with some Third World

areas expected to see greater growth than the United States and

IATA's total international

cheduled passenger traffic during

1982 is expected to rise by about

percent from this year's level, and nonscheduled freight traffic by

counting for roughly 25 percent of

Accident in a Coal Mine Forces Japan to Review **Domestic Energy Role**

Steve Lohr New York Times Service

TOKYO - For a week now, this nation has uneasily watched the images of tragedy from Yubari, a coal mining community 500 miles (800 kilometers) north of here that was the scene Oct. 16 of one of the worst mining accidents in Japan's

On television and in newspapers, the same two vignettes are shown again and again — bodies being carried away and aggrieved relatives weeping. But beyond the personal tragedy, the accident at Yubari is a big blow for Japan's coal industry and the government's recent efforts to increase domestic

production.

The accident apparently was caused by an explosion of methane gas that had leaked into the deep underground mine, on the north-ern island of Hokkaido. The force of the blast collapsed a shaft, kill-ing 34 miners and trapping 59 others. Rescue efforts were hampered by the poisonous gas and a fire in

Wednesday, executives of the Hokutan Yubari Coal Mining Co., which operates the mine, met with 500 relatives of the trapped miners and asked their consent to flood the mine - a step intended to put out the fire, but also ending all bope for the 59 miners still under-

Mine Flooded

Thursday, company representa-tives called on the families of the trapped miners individually to get their formal approval, and the flooding began Friday. The death toll of 93 is the highest since a 1963 coal-mine accident killed 237 miners. But beyond the personal tragedy, the mishap is a big blow for Japan's coal industry. Like other Japanese mines, the

Yubari operation has been heavily subsidized by the government. Before the accident, the mine was producing 1 million tons a year, compared with total production in Japan of about 18 million tons. Japan produces one-fifth of the coal

it consumes each year.

In some circles, Yubari was viewed as a model of how, with financial belp and the latest technology, more coal could be extracted from the thin veins far underground in this resource-poor nation. The mishap at Yubari is forcing government officials to reconsider the role domestic production

will play in Japan's ambitious plan to rely more and more on coal as

an energy source.

Japan's coal policy, in turn, is a key element in the overall aim of reducing dependence on oil to about 50 percent of total energy consumption, from about 75 per cent in 1977. More than 90 percent of Japan's oil imports come from OPEC nations, leaving it particularly susceptible to disruptions in the Middle East.

Reducing Dependence on Oil

The basic policy for reducing Japanese reliance on oil, outlined in a 1977 report by the Ministry of International Trade and Industry, also said that coal's share of energy consumption should increase from less than 14 percent to 18 percent by 1990. Domestically, the government had been pushing hard to increase coal production from less than 18 million tons in 1979 to 20 million tons a year over the next few years.

Last year, production did rise slightly. However, there have been charges, mostly from the surviving miners at Yubari and relatives of the dead workers, that the coal company was trying too hard to meet government production tar-gets, that safety considerations were given short shrift, and that

this was partly to blame for last week's accident. The cause of the Yubari accident will not be known for a month or two, pending an investi-gation. But clearly, the accident puts the government's coal-pro-duction goals out of reach anytime soon. "It will be quite difficult to increase production," said Shinji Fukukawa, director general of the

Natural Resources and Energy Agency's coal department.
But, Mr. Fukukawa emphasized the broader goal of enlarging the share of the nation's energy use supplied by coal remains un-changed. With less domestic production than expected, coal imports must increase even more than planned. "I would hope that this accident would give impetus to accelerating coal imports into Japan," said Nobuhiko Ushiba, former state minister for Externa Economic Affairs.

Indeed, there has been consider able enthusiasm in Japan for in-creasing coal imports, especially from the United States, which has the world's largest reserves. Not

(Continued on Page 15, Col. 6)

Bleak Fiscal Outlook Faces Airlines at Meeting in Cannes

By Axel Krause nal Herald Tribu

PARIS - Against a backdrop of worsening industry losses, executives from more than 100 of the world's airlines gather in Cannes on Monday for the annual meeting of the International Air Transport

The three-day meeting of the in-ustry trade association will focus on finding ways of coping with soaring costs and increasing pro-ductivity on the world's airline routes amid gradually expanding air travel, IATA officials said.

Thin Margins Fade From Fashion

Asia are affecting the entire mar-

credit standing has slipped follow-

ing the Socialist victory, especially in the eyes of U.S. bankers. A mar-

ket survey by Agefi International Bondletter concerning the stand-ing of France showed that only

half of the 322 respondents be-lieved that it merited retaining its

triple-A rating and that just over a third estimated that it should be a

The strong downgrading by U.S.

banks was shown by the fact that

63 percent of the respondents fore-

cast a decline in the status of French government agency com-mercial paper issued in New York.

Some 43 percent replied that

France now needs to pay a margin of at least a half-point over Libor on its syndicated loans, and anoth-er 30 percent put the minimally ac-

ceptable margin at % point over Libor for a life of not more than

change from what it paid earlier

Venezuela has asked banks to offer terms for a \$500-million loan

— a far cry from the jumbo loan many bankers had been anticipat-ing. "Venezuela should pay % point over Libor for 10-year mon-

ey," one banker said, "but aggressive lenders no doubt will add an element of half-a-point over Li-

cight years.

over Libor.

As for France, it is clear that its

is the big issue up for discussion, said an association spokesman. Other, more controversial subjects such as deregulation of airline fares within the European Eco-

nomic Community and rate struc-tures on North Atlantic routes also are expected to be discussed by the more than 300 executives from passenger and cargo airlines be-longing to IATA, which is based in

The welcoming speech Monday y French Transport Minister by French Transport Minister Charles Fiterman, a Communist, is expected to address most of the

Terms are standard for Brazil

2% points over Libor or 2 points over the prime rate. Also in the

market at identical terms are a

\$60-million loan for Electrobras

and an \$80-million loan for Brazi-

lian Aeronantics.

A further sign of the disfavor in

which Eastern Europe is held: East

Germany is seeking \$10 million for

six months at % point over Libor.

Before Poland's financial plight

became acute, East Germany

point over Libor for such a short

maturity, bankers report.
Yugoslavia is expected to open negotiatious with bankers this

week on terms for a \$400-million

Credit for Ivory Coast

speculation, he is not expected to actively support efforts to reduce fares within the EEC. **Bleak Picture** In the annual report on the state of the air transport industry released Monday, Knut Hammar-skjöld, IATA's director general,

painted a decidedly bleak picture for this year and next. Despite a projected 4.5-percent increase in traffic growth for 'IATA members this year, "1981 looks like being as bad, if not worse" than 1980, when member

airlines reported combined losses around \$1.1 billion, the worst figare since record-keeping began in 1947, the official said. Costs continue to rise, and yields remain stubbornly inade-quate," Mr. Hammarskjöld said,

adding that "there is little hope of a return to operating profitability this year."

IATA has estimated that the

Western world airlines' fuel bill, which was about \$1.5 billion in 1973-74, is likely to exceed \$10 billion this year.

about 7 percent, acording to fig-ures compiled in June which will probably be updated by Mr. Ham-marskjöld on Monday, IATA officials said. .Traffic between the United States and Western Europe, ac-

total international traffic, will be close to the industry average Within the Pacific area described by the IATA official as "the world's most dynamic in terms of

on this year.

Commenting on the profit out
economic growth," the increases

will be higher next year.

NEW ISSUE

These Notes having been sold, this announcement oppears as a matter of record only.

OCTOBER 1981

U.S. \$60,000,000

Industrias Peñoles, S.A. de C.V.



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RAMADA Geneva The hotel for executives City centur - fel 1/1/21 31.02 41 - telex 26.91.09

Denmark is reported to have agreed to terms offered by a syndicate of Mideast banks making no

LONDON (Reuters) -- Four international banks are arranging a large Eurocredit to develop the lvory Coast's Espoir oil field, the first major loan for the multibillion-dollar project, banking sourc-Two U.S. and two French banks

bave been selected by the consorti-um headed by Phillips Petroleum, they added. They are Bankers Trust, Citicorp, Banque Nationale de Paris and Ste. Générale. year - a margin of % point over Libor for five years, rising to ½ point in the final three years. However, a quarrel over whether the size of the management fee should be 4 or 4 percent is said This first credit could total about \$1 billion in two \$500-mil-

to be holding up announcement.

Meanwhile, the Association of Danish Oil Reserve Stocks is in the market raising \$60 million for 4½ bon tranches, the sources said, although discussions are in the early Phillips holds a 57.5-percent stake in the project, while Italy's Agip holds 22.5 percent. Sedeo years offering a margin of % point

and Petroci, the Ivory Coast state oil firm, have 10 percent each.

Earlier this year, production at the field, 55 kilometers (35 miles) southwest of Abidjan, was scheduled to begin in mid-1982. Largely because of Espoir production, the Ivory Coast estimates it will be self-sufficient in oil by 1982 Chile's electric utility Endesa is in the market for \$135 million, offering to pay % point over Libor or % point over the prime rate of U.S. banks for eight years.

Brazil's Sao Paulo state is raising \$100 million for eight years.

CURRENCY RATES

interbank exchange rates for Oct. 23 1981, excluding bank service charges.

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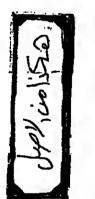
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SENIOR EXECUTIVE POSITIONS

blished every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Juanita Caspari in Paris.

POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Source
MARKETING MANAGER Middle Bast	Based on qual. & sup.	int'l Bank.	Goorta	28-38; min. 5 yrs. handring etg.; fag. + one far. lang: Swiss wat., "8" or "6" parmit.	Boy Webb, Jonathan Wess & Co., Ltd., 178 Histograph, Lumber EEZH 412, Tel., 81-623 1286,	18.T. 15-18-81
LEASING EXECUTIVE Saudi Arabiq	-25 22.8 + 000,02 -4 000,02	Hajer Construction Equipment distributorship's leasing division.	Sand Arabia	Middle East nationals; Arabic, Eng.; prof. qual, in numerate discipline; win. 5 yrs, commercial exp. (leasing, cont. or hunting)	Christopher Little Consultants Ltd., 48 Gunon Victoria St., Lumber ECAN 453., Tol.: 01-236 5001.	18.T 15-18-81
V.P. INT'L SALES & OPERATIONS		Melii fillion Deltar U.S. energy co.		Aggressive crude oil 2 refund product traders.	Box B 1831, International Hurald Tribune, 92521 Henilly Colox, France.	15-18-81
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PUBLIC RELATIONS COORDINATOR		lipjohr (corp 1 phorosomies) public relations programs).	Bressels	for +; this day in jumateu ar related field, port, public relations exp. (prof. planna, area); extensive travel.	Englarec Relations Manager, 19/600 SA/TV, 18 Jun de Gooden, 1148 Brussels.	18-11 17-18-11
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International Bond Prices - Week of Oct. 22

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Explanation of Symbols

S Concritor Deliter

D European Unit of Account
Paying Sterling
Deutsche Mark
D Norwegien Kreiter - DM

D William D Norwegien Kreiter - DM

FOR A
MAXIMUM
RETURN
ON
TIME
INVESTED.

Herald eta Tribune

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Changes as **Profits Fall**

(Continued from Page 13) 10s. One part was a direct \$86.8million loan from the Export-Import Bank of the United States, at 8.375 percent. Another, guaranteed by the Ex-Im Bank, was a

\$74.5-million loan by the New York-based Private Export Funding Corp. The remainder, according to a spokesman at the Ex-Im Bank, was loaned by Morgan Guaranty International, International Westminster Bank, Marine Midland and McDonnell Douglas Finance Corp.

Laker has kept up with its interest payments but Sir Freddie has asked for and received two postponements on principal payments that came due in the middle of

Some of Sir Freddie's critics suggest he has not been vigilant enough. "One of the most elementary things in running an interna-tional business," said one British merchant banker, "is that you try to equalize your currency position
— that is, if your costs are in dollars but your revenues are in something else, you borrow forward on the open market to cover your ex-

Laker is a private company, with 90 percent of the shares owned by Sir Freddie and 10 percent by his former wife, Joan. Without recourse to the stock market for funds. Laker can only buy new planes with retained earnings or by

borrowing. Laker's total borrowings are sevon times the value of shareholders equity. For comparison sake, Pan Am got into trouble with its bankers with a debt-to-equity ratio of just 2.37 to 1.

According to published figures, Laker has some \$42 million in shareholders equity compared to \$323 million in loans. If Laker were to take its foreign exchange losses out of retained earnings, as Sir Freddie suggested he might if he could not defer his loans, total shareholder's equity would be re-duced by some \$10 milion this

HREVI HE وتهره و عدد الا Laker is facing herce competi-tion in its transatlantic market, not only from Pan Am, but also from British Airways and Trans World

is no than 19.

TED

_ Inbail

Many of the airlines that travel that route are hurting. Last year, before this outbreak of fare-cut-ting, the members of the International Air Transport Association recorded an "economic shortfall" of \$1.5 billion on the North Atlantic routes. The association defines economic shortfall as the difference between the income made on the route and the amount of money needed for an adequate return

on services.
Sir Freddie sees some relief from the fare-war squeeze in authorization he is seeking to operate a new, around-the-world service.

business for Laker in Europe. Sir. Freddie is suing the British govern-ment for the right to fly between 36 European cities. There is a move afoot, supported by Laker, to deregulate European airways and allow competitive pricing. Sir Freddie has said he could cut fares by as much as 50 percent.

Laker has already made a com-

Laker has already made a com-mitment to buy 10 Airbus A-300s to fly those routes. Three have been delivered, and the rest are scheduled for delivery over the next four years.

If Laker does win the new routes, Sir Freddie's troubles over the North Atlantic could fade. But if it does not — and is still re-quired to take delivery of the new Airbuses — this autumn could be the beginning of a very bad time.

Computer Boom's Flip Side: Frustrated Users

By Andrew Pollack New York Times Service

NEW YORK — Buddy Smith, an insur-ance agent in Warrenville, Ill., bought a com-puter in 1978 to automate his record-keeping and mailings. "By 1980," he said, "it ended up in my basement, with a year and a half of absolute hell in between."

The computer, Mr. Smith said, would not function, no matter what he tried. He took a college course on computers. Once he stayed in the office three straight days and nights working with the computer, only to be taken to the hospital suffering from exhaustion and bronchial pneumonia. Finally, he said: "I took the computer out of here. I couldn't stand the sight of it."

Now Mr. Smith is suing the Burroughs Corp., the manufacturer of the \$21,000 machine, contending the company frandulently misrepresented the capabilities of its product, a charge that Burroughs is expected to

Mr. Smith is not alone in his disenchantment. More and more small-business men are buying computer systems only to find they do not work as expected.

Frustrated Expectation

"Fully half, if not more, of all computer users suffer some frustrated expectations," said Thomas K. Christo, a North Hampton, N.H., lawyer who represents computer users in suits against vendors.

Computer manufacturers say the percent age of dissatisfied users is far smaller but acknowledge that the problem exists. Some 187 suits have been filed against Burroughs by purchasers of several models of small-business computers it sold in the late 1970s, the company said.

Burroughs, a Detroit-based company, is not the only computer maker to have dissat-

isfied customers, according to lawyers who represent computer buyers. Usually, however, cases are settled quietly out of court.

The effects of a nonperforming computer can go beyond frustration. A small business can become so critically dependent on a computer for its billing and accounting that, if the computer errs, the business can go ban-

krupt without even realizing it. Errors can also affect other companies. F&M Schaefer, in a case against Electronic Data Systems, a Dallas computer services supplier, contended that its computer was erreneously reporting beer distributors and liquor stores as being delinquent in payments. Under laws in some states, those distributors and stores lost the right to buy liquor on credit. The case was settled for \$2.3 million

As recently as 10 years ago, a computer

(Continued from Page 13)

year convertible for Wal-Mart Stores, a U.S. chain of retail stores,

was withdrawn because the uncer-

tain outlook for the U.S. stock market made it impossible to mar-

In the floating-rate market, Mexico's Banco Nacional de Com-

ercio Exterior is offering \$75 mil-

lion of seven-year notes. The

coupon will be set at a quarter-

point over the London interbank

Austria's OKB bank sold its

\$100 million of live-year notes bearing a coupon of 16-3/16 per-

cent — a quarter-point below the bid rate for six-month Eurodollars.

While the high coupons offered on Canadian dollar paper continue to find support among retail inves-tors in Switzerland and the

Benelux countries, bankers report that the terms on issues currently

available compare badly with

yields available in the secondary

eed not to fall

ket the paper.

below 5% percent.

terbank offered rate.

might cost \$1 million, a price only large companies could handle. These companies could employ data-processing staffs and the computer manufacturers could provide assistance to each user.

Today, computers cost as little as a few thousand dollars, and many buyers cannot afford to hire experts. Nor can vendors offer the same degree of support.

'Like Used-Car Salesmen'

"When you have a \$25,000 system, you can't afford to do it; yet that system is as complex as the \$1-million computer of 10 years ago," said Ben E. Olive, associate gencral counsel of NCR, a Dayton, Ohio, com-

puter company. Some critics say, however, that computer desmen make false promises to naive firsttime users. "It's like used-car salesmen," said Marvin Benn, a Chicago lawyer who says be is handling 40 cases against Burroughs. Other critics say that to beat competition, computer companies market products that

'Our computer took a business that was growing at 20 percent and dropped it to zero.'

The problems cited in the lawsuits against Burroughs and most other computer manufacturers often contend that the computer programs, or software, contained errors, or that the computer was not powerful enough

to do what was promised. Fred R. Meier, president of Burroughs' business machines group, said the problems were exaggerated and that the 187 lawsuits represented only a fraction of the 11,000 users of the computers.

Special Care

He and Mr. Olive of NCR said users often had unrealistic expectations. Mr. Meier also said computers often require special cooling and care that some users do not provide and that in one-third of the cases, the computer programs were not written by Burroughs So far, Burroughs has won five cases, lost three and settled 37 out of court.

One case, decided by a jury in San Francisco last spring, illustrates many of the com-

a six-year bond, prepriced at par, bearing a coupon of 17% percent. government officials looked for

ways to finance a deficit of 7 bil-

lion DM in the 1982 federal budg-

et. Fearing that this must translate

into greater government borrowing
— and therefore upward pressure
on interest rates — bond dealers

Eurofima, the Basel-based com-

pany that finances European rail-

way rolling stock, is raising 100 million DM through a 10-year is-

sue offered with a coupon of 101/4

ercent. This compares with the

10% percent paid a week earlier by

the European Investment Bank.

Eurofima was trading on a when-

10.41 percent, while the EIBs, also

at 98½, were yielding 10.37 per-

The Mortgage Bank of Den-mark sold 100 million DM of 10-year bonds bearing a coupon of 10½ and priced at 99½ to yield 10.58 percent. The price by week's

at 991/2 and bearing a coupon of

From the Mideast, Reuters re-ported that the World Bank plans to float a 30-million Kuwaiti dinar

end was down to around 98. Belgelectric sold 60 million guilders of five-year notes priced

1214 percent.

sued basis of 981/2 for a yield of

marked prices lower.

U.S. Borrowing Needs, Inflation Leave Market Cautious

bearing a coupon of 17% percent.
At the same time, Canadian Pacif-

ic is seeking 40 million Canadian

dollars, also for six years, but is offering a coupon of 17% percent.

DM Sector Tumbles

The CanPac paper is priced at par. By comparison, the six-year pa-

per offered a week ago by Hud-

son's Bay Co., bearing a coupon of

18 percent, is trading at a discount

U.S. Says Russia Buys

More Wheat for '81-'82

The Associated Press
WASHINGTON — The Soviet
Union has bought an additional
300,000 metric tons of U.S. wheat

for delivery in 1981-82, the Agri-

culture Department has announced. That raises to almost 8.4 million tons the amount of grain bought under the sixth year of a purchase agreement, officials side.

The department also said Friday that the U.S. wheat stockpile will

be almost 80 million bushels

smaller when the wheat marketing

year ends next May 31 than the 986 million bushels that had been

The Deutsche-mark sector of the

to yield almost 1814 percent.

The Glovatorium, an Oakland suede and leather cleaner, bought a computer from NCR in 1975. The Glovatorium said the system never worked as it was supposed to and had to be backed up by hand to catch billing errors and other mistakes. "It took a business that was growing at 20 percent and dropped it to zero," said Steve Depper, vice

Evidence introduced at the trial, and the remarks of the presiding judge after the deci-

sion, elicited these points: The NCR salesman tried to sell a system to Glovatorium that was inappropriate for its needs. When NCR headquarters vetoed the sale, the salesman resubmitted the proposal in a different manner and it was

When a disk storage device malfunctioned repeatedly, NCR employees substituted an older device and switched the serial numbers to conceal the switch.

 NCR continued to promote the com-puter despite the knowledge that it was havng problems elsewhere in the country. A jury in San Francisco found NCR guilt

of fraud and awarded Glovatorium \$2.3 million in damages, including \$2 million in punitive damages. NCR is appealing the decision.

Attorneys involved in computer litigation say that such victories for a small company

Legal Obstacles

There are substantial legal obstacles, as well. The standard computer sales contract limits the liability of the manufacturer to the value of the machine itself.

In some cases, if the purchaser can show that the contract was signed because the product was misrepresented, the purchaser might be eligible for consequential and inci-dental damages, which cover such things as lost time, lost manpower and lost profits resulting from the computer's failure. But many small businesses do not keep adequate records of such expenses, lawyers say.

The biggest jury award in a computer case was apparently the \$11.4 million won by Catamore Enterprises, a Providence, R.I., jewelry company, in 1975. The company contended it had numerous problems with a computer it had bought from International Business Machines. An appeals court ordered a new trial, and before it began the case was settled for an undisclosed amount.

But, experts see the problem declining: As computers for small businesses and even for consumers drop in price, manufacturers are trying to make them easier to use, not so much to avoid lawsuits as to sell more computers. And computer retail stores, which have sprung up in the last few years, provide extra support for users.

Eurobond Yields

Week Ended Oct. 21

Market Turnover

Week Ended Oct. 23

3,814.9 3,065.8 749.1

6,130.3 5,766.7 363.6

17.22 % 17.44 %

International institu-

Canadian doilars, medi-

French fr. medium term Unit of acc. long term

um term

Japanese Reviewing Energy Policy

(Continued from Page 13)

only would importing more coal reduce Japanese dependency on Middle East oil, but it could also reduce trade friction with the United States by cutting the U.S. deficit with Japan.

"Unless we increase energy imports — coal, oil and natural gas - our trade surplus with the U.S. will remain large," noted Kazumasa Kusaka, deputy director of the trade ministry's Americas-Oceania

Buying coal from abroad is also cheaper than mining it in Japan. "It's just not cost-effective for Japan to mine its own coal," said Kenneth C. Leung, an economist at Bank of America's Asia division in Tokyo.

For example, last year the average cost of imported steam coal, used to generate electricity, was about \$52 a ton at current exchange rates, including freight costs. The cost of domestically produced steam coal, in contrast, was roughly \$77, according to Mr.

Coal Imports Up

Largely because of government investments to modernize coalmining methods in Japan, domestic productivity is increasing and the cost difference has narrowed somewhat. Still, imported coal remains significantly less expensive.

Accordingly, since the long-term energy policy was unveiled in 1977, Japan increased its coal imports by 25 percent to 72.7 million tons in 1980. And it plans to double its annual coal imports to nearly 145 million tons by 1990.

During the next decade, Japan also wants to diversify its source of coal supplies. Today, Australia is its major supplier, accounting for 60 percent of its steam coal imports and 40 percent of coking coal imports. Coking coal is used in such energy-demanding industrial processes as making steel and

Despite the attractions of switching to coal imports to reduce Japan's dependence on Middle East oil, there are problems too, To increase imports will be enormonsly costly and time-consuming. The policy will require investments on a multibillion-dollar scale for ships, ports and storage

Targets 'Overly Ambitious'

According to one estimate, if the expansion program proceeds on schedule, the needed storage space in Japan will leap 100-fold by the end of the century. Noting these difficulties, a Bank of America study in August of Japan's energy policy characterized as "overly ambitious" both the government's targets for expanding coal imports and reducing its dependency on

In Japan, the government will subsidize coal-related investments and help arrange financing. But in the United States, where similarly large investments in transportation faculties will be re quired if coal exports to Japan are to be vastly increased — the gov

Production No. of (in millions of tons) Year Mines 1971 93 31.7 46.3 50.7 1972 27.0 **58.0** 1973 57 20.9 64.6 1974 62.3 1975 18.6 1976 18.3 60.9 58.3 1977 18.6 52.9 59.4 1979 17.8 1980

ernment has made it clear that it will not subsidize such efforts.

"I think there should be some kind of encouragement from your government," said Mr. Ushiba, the former minister. Japanese coal importers and the Western States Governors Policy Office in the United States have begun joint studies of the possibility of deepening and expanding port facilities at Los Angeles, Long Beach, Calif., and Seattle. But Japanese government and industry officials agree that any big increase in coal imports from the United States

could not come before the end of Even if an import surge does develop, it would not solve Japan's traditional energy dilemma: that the fuel for its vigorous economy comes from outsiders. Though producers such as the United States and Australia would presumably be more stable suppliers than the Middle East oil states, this outside dependency makes the Japanese uneasy.

Thursday, a television reporter

asked Rokusuke Tanaka, minister of International Trade and Industry, whether the Ynbari accident gave him doubts about the govern-ment efforts to keep Japan's struggling coal industry going. "We cannot stop producing domestic coal," Mr. Tanaka replied. "It is too dange ous to depend entirely on imports."

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. The province of Quebec is raising 50 million Canadian dollars via 10-year issue remain to be set.

All of these Securities have been sold. This announcement appears as a matter of record only.

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Chicago Exchange Options NOTICE OF REDEMPTION **RELIANCE INTERNATIONAL N.V.** (formerly Leasco International N.V.) This Notice Contains Important Information For All Holders of 5% Guaranteed (Subordinated)
Convertible Debentures of Reliance International N.V. Due January 15, 1989. Convertible Debentures of Reliance International N.V. Due January 15, 1989.

Notice 1.1- Herein Gives that pursuant to the provisions of Article 4 of the Indenture dated as of January 15, 1969, all the above Debentures (the "Behantures") at the redemption price of \$1,005, together with accrued interest of \$43.05, for each \$1,000 principal amount of the Debentures.

The redemption payment will be made at any of the following locations:

By hand: Bankers Trust Company
Corporate Trust Operations
I Bankers Trust Operations
I Bankers Plaza
Level A
Bond Windows
New York, New York 10008 U.S.A.

Bankers Trust Company
P.O. Box 2579, Church Street Station
New York, New York 10008 U.S.A. Rankers Trust Company
Dashwood House
69 Old Broad Street,
London, EC2P2EE, England
Ranque Bruvelles, Lambert, S.A.
24 Avenue Marnix
Rruxelles, 5 Belgium Baoque Internationale a Luxembourg S. A. Boulevard Royal :: Boile Postale 1205 Luxembourg BHF Bank P.O. Box 3821 G Frankfurt/Moin, Germany Banca Nazionale del Lavoro Piazza San Fidele No. 3 Milan, Italy

Pierson, Heldring & Pierson N.V. Hirengrocht 214 Amsterdam, Netherlands Credit Cummercial de France 103 Avenue des Ckamps Elysees Roite Postale 704-48, Paris SE, France

Paris 8E, France

From and after the Relemption Data, the Debentures will no longer be deemed outstanding and interest will cease to accrue thereon.

The Debentures are convertible into shares of Common Stock of Reliance Group. Incorporated ("Reliance Group"), at a cooversion price of \$22 per share 16, 129 shares of Common Stock for each \$4,000 principal amount of Debentures. This right of conversion will expire at \$5,00 pm (local time) on the Redemption Data. Thereafter the Debentures will no longer be deemed outstanding and may not be converted into Common Stock of Reliance Group. There will be no payment or adjustment for interest accrued on any Debenture that is converted nor for any dividends on Common Stock of Reliance Group delivered upon conversion. No fractional shares of Common Stock of Reliance Group will be issued upon conversion of Debentures. In lieu of fractional shares, holders will be paid a cash adjustment therefore based on the closing price of the Common Stock of Reliance Group on the New York Stock Exchange on the last business day before the date of conversion.

Debentures can be surrendered along with written notice of election to convert at any of the following locations:

Reliance Therefore Therefore Description**.

Achange on the last business day before the date of conversion, can be surroundered along with written notice of election to convert at any of the following locations:

By hour! Bankers Trust Company
Corporate Trust Operations
I Bankers Trust Upen
I Bankers Trust Upen
Level A
Bond Windows
New York, New York 1000 U.S.A.
Bealter Trust Company

Bankers Trust Company
Dashwood House
69 Old Broad Street,
London, EC:P2EE, England

Banque Internationale a Luxembourg S.A. Boulevard Royal 2 Bnite Poetale 2005, Luxembourg

By until: Bankers Trust Company Corporate Trust Operations P.O. Bos 2579, Church Street Station New York, New York 10008 U.S.A.

London, EC:P2EE, England

Redemption payments will be made, or Common Stock of Reliance Group will be delivered upon conversion, only upon surrender of the Debonture so to be redeemed or converted, together with all coupons appertantog thereto maturing after the Redemption Date.

Holders of Debentures should be oware of the following facts:

11 On October 20, 1881, the closing market price on the New York Stock Exchange of the Common Stock of Reliance Group was \$83.25 per share. On this basic earls \$1,000 principal amount of Debenture would be converted into Common Stock of Reliance of \$1,342.74.

22 Reliance Group has announced that a proposal to merge (the "Merger" I Reliance Group into a newly formed corporation controlled by Saul P. Steinberg, Chairman of the Board and President of Reliance Group, and members of his immediate family i the "Sceinberg Group" will be submitted to holders of Common Stock of Reliance Group for their approval. If the proposed Merger is approved and consummated, holders of Common Stock of Reliance Group will be entitled to receive (a) 830 principal amount of IV: Senior Debentures Due 1936 (the "Merger Debentures") of Reliance Financial Group, Incorporated i Reliance Financial", a corporation formed by the Steinberg Group to effect the proposed Merger, and \$20 in cash or, at the option of such holders of Common Stock of Reliance Group, (b) 1.03 shares of \$15 Camulative Preferred Stock, \$100 liquidation preference (the after preferred Stock). The Reliance Financial Shiking Fund payments will be made on the Merger Debentures and mandatory redemptions will be made on the Merger Preferred Stock in 1992 and in early year thereafter until 1996.

If you have any questions about the meaning of this Notice or the most advantageous way for you to respond to it, we sincerely recommend that you consult your banker, braker or attorney.

RELIANCE INTERNATIONAL N.V. Park Arenue Plaza

RELIANCE INTERNATIONAL N.V. Park Avenue Plaza New York, New York 10055 U.S. A. Ry: Frederick A. Jackson, Attorney-in-fact

Over-the-Counter

Volume: 22,860,000 shores Year to Date: 1,712,150,000 shores Issues traded to 198 Advances: 337 ; declines: 437 i unchanged: 159 New Highe: 34 i new lows: 56 Treasury Bills

dinternationing

(Continued on Page 17) Consolidated Trading Of NYSE Listings

this announcement appears as a matter of record only.



Dfls. 40,000,000 121/4 per cent. Bearer Notes 1981 due 1986

These securities having been placed privately.

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Swiss Bank Corporation International Limited

Nederlandsche Middenstandsbank N.V.

Bank Mees & Hope NV Pierson, Heldring & Pierson N.V.

October, 1981

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ioles in Net 100s Migh Law Lost Criss (Continued from Page 16)

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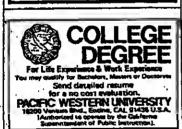
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October 26th, 1981. By: Citibank, N.A., Fiscal Agent. **CITIBAN(**

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years as head coach. Warner is lighter and faster.

lege running hack I ever saw play and Curt can do a lot of the things Tony did. Face to face he will beat any single defender the way Dor-sett did. And oow he is so much stronger than he was when he first came here that he can power his way as Dorsett did when he oeed-

Dorsett is one of those who got

Southern California and Herschel

"I was getting a lot of letters was tired of filling out those forms so I gave them to Mrs. Libby McKinney to take care of."

high school where Warner played, took it upon herself to write to Paterno, suggesting he take a look at Warner. That began the process

BASEBALL American Lagge CHICAGO—Traded Dewey R nd Gary Holle, first baseman

TORONTO-Added Steve Sentency, pitcher at Alich Webster, putfielder, to their 48-mor

CHICAGO—Acquired Junior Konnedy, Infleid y, from Cinchnell for a player to be named let waived Bobby Bonds, outfleider.

Noticeal Featboll Leases
NEW ORLEANS—Activated Hoby Brenner light end. Placed Bob Youne, guard, on the In Jured reserve list.

Texas-Artington 7, N. Texas 51. 4 Texas-E i Pasa 35, Caterada 51. 29 1 s.xas AžM 51, Rice 26 7 exas AžM 51, Som Houslan 51, 7

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Utah 69. Nev.-Las Vegas 25

Penn State.

Washington St. 34, Arizono 19 Whitter 35, Claremont-Mudd 25 Wyoming 33, Brigham Young 20

that led to the youngster's selecting

"I don't know why she wrote to Joe," Warner said. "I oever asked her. I guess she had heard about him and liked what she heard. I

visited only three schools - Pitt,

West Virginia and Penn State.

West Virginia's program was be-low par then, not now, and Pitt was in a big city. I like the slower,

more relaxed atmosphere at Penn State. I'm from the country."

father, a retired coal miner. After

Curt's hrother, Robert, was gradu-

ated from high school a year before Curt, Curt was the only black

student in the school.
"The Warners are the only

hlacks io Wyoming," Curt said.
"There are three houses of

Warners. My great grandfather,

who died two years ago, was a preacher. Most of the people in his

congregation were white. The only

black people in the church were

the Warners."
When Warner decided to attend

Penn State, some in West Virginia

Then, when Warner enrolled at

Penn State, things became discouraging for a while. He did oot set the world on fire immedi-

ately, although everyone knew he

was an exceptional talent. He was,

after all, one of many good Penn

State football players.
"I can't say I hit it off with Joe right away," Warner said. "I guess you might say we did not get along. Basically, it was my fault. I've learned to adjust and I understand a whole let more now.

stand a whole lot more now. I know where Joe is coming from

oow. He is very coocerned about

us all, I think, but he can't spend

the one-on-one time with a player the way my high school coach did

during practices in the beginning.

"I got barked at a lot hy Joe

Paterno has been criticized for

not using Warner more than he did

when Warner was a freshman and

freshman that much," Paterno said. "Curt came here as a 175-pound back from the smallest class

of high school foothall in West Virginia.
"He didn't get hit that much. He

outran them in high school and the players who hit him weren't as hig

as they are up here. He had to

come along my way — slowly.

Now he's about 200 pounds with

work on weights and exercises.

Now he can take it.

the kid to put the pressure on him. And what has he got to look forward to if he does it all right away. I look at Herschel Walker and

wonder what he has to look for-

Georgia who, as a freshman tail-

Walker is the sophomore star at

"Also, I doo't think it's fair to

"I just don't believe in using a

with me.

sophomore.

called him a traitor.

Warner was raised by his grand-

Tailback Warner: Another Paterno Prodigy

SOUTHWEST

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Oklohoma 14. NE Oklo

By Gordon S. White Jr.

New York Times Service
COLLEGE PARK, Pa. — Curt Warner is not like John Cappelletti, the powerful Penn State tailback who won the Heisman Trophy in 1973. Cappelletti was 6 feet 3 inches tall, weighed 220 pounds and played like a fullback. Warner isn't like Franco Harris

or Lydell Mitchell or Booker Moore or any of those bigger, successful other runners Joe Paterno has had at Penn State in his 16

"He's like Tony Dorsett," Pater-no said." Dorsett is the best col-

away from Paterno's recruiting and played his football at Pitts-burgh, 1973-1976. Dorsett won the Heisman Trophy in 1976 when he led Pitt to an undefeated season and a No. I ranking nationally.

Happy Recruit

Warner did not escape Paterno's recruiting. He didn't want to. And now the Nittany Lions are un-defeated and ranked No. 1 in the nation largely because of the Dor-sett-like efforts of Warner, the junior tailback averaging 167.6 yards per game. This makes him the No. 3 rusher in the country behind Marcus Allen of the University of

Walker of the University of Georg-

He did not start Saturday's game against West Virginia — his home state — because of a pulled hamstring muscle in his left leg.

The iojury, suffered during practice last Tuesday, was kept a secret by Penn State players and coaches until the start of the game. Warner warmed up rather vigorously in pregame drills Saturday.

The second-string tailback, Jon Williams, made up for Warner's absence. He gained 140 yards on 27 carries and scored one touch-down in Penn State's, 30-7 victory. Penn State, now 6-0, has a diffi-cult part of its schedule in the oext

two weeks on the road. First there is a game at Miami of Florida next Saturday and then, oo Nov. 7, at North Carolina State. Paterno may have felt he could hold Warner out with a slight injury oow so he can have him healthy later on.

Many Suitors

When Paterno compares Warner to Dorsett there is little wonder that recruiters lined up in Wyoming. W. Va., two years ago trying to sell the quiet, intelligent young high school senior tailback on their football programs. Things got crowded with talent scouts in the coal mining region in the south-west corner of West Virginia.

Warner said that Nebraska, West Virginia, Virginia Tech, Ken-tucky, South Carolina, Pittshurgh, Maryland, Notre Dame and Penn State sent recruiters. Paterno and Jackie Sherrill, Pitt's head coach, wound up in Wyoming the same night in the winter of 1979 to see Warner play basketball. They both realized immediately that they were watching an oustanding athlete in action. They both wanted

from colleges," Warner said. "I

Mrs. McKinney, an English teacher in the Pineville, W. Va.,

Transactions

for Jase Castro, infletter.

KANSAS CITY—Traded Manny Costillo, Illind
baseman, to Seattle for a player to be named loter. Stanzal Lee May, designated hitter, to a one-

MILWAUKEE-Traded Rickey Keeton, pitch er, to Houston for Peter Lodd, pitcher. Assigned Lodd to Vancouver of the Pacific Coast League, while the Astros assigned Keston to Tucson of

FOOTBALL

SOCCEP

back, led the nation in rushing and led the Bulidogs to an undefeated **More Sports**

On Page 19

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	(Continued from Back Page)

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West Virginia's Oliver Luck, right, and Penn State's Rich d'Ami-

co battled for ball possession after Luck's pass was blocked in

the second period Saturday. Penn State won the contest, 30-7.

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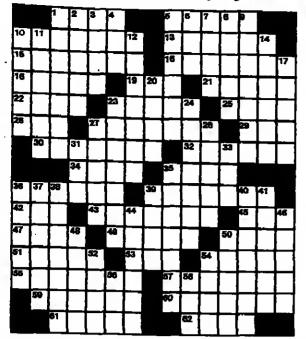
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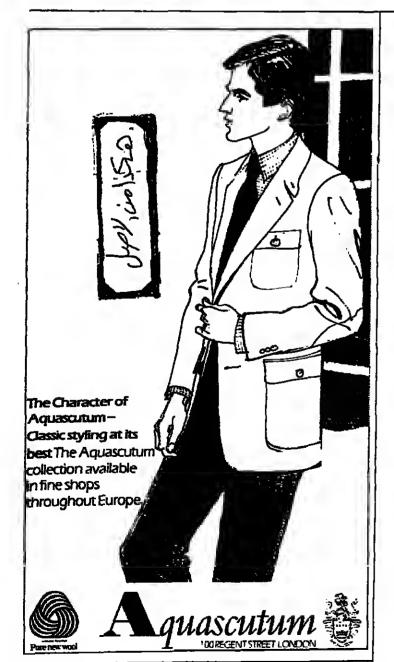
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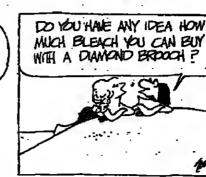
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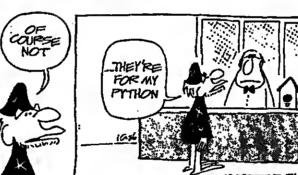














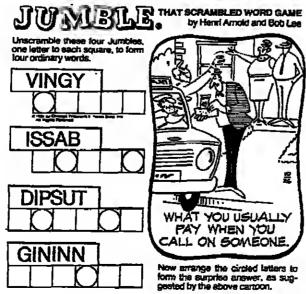












Print answer here: Jumbles: FLOOD DUCHY CHOSEN PUDDLE Answer: What a porter has to do to hold down his

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"I DIDN'T KNOW HE WAS A STINGIN' BUG 'TIL HE WANTED LOOSE!

BOOKS

ROMANTICS AND ROMANTICISM By Michel Le Bris. 215 pp. \$85. Skiral Rizzoli, 712 Fifth Avenue, N.Y. 10019.

ROMANTICISM

By Jean Clay. With a foreword by Robert Rosenblum. 320 pp. \$50 to Dec. 31; \$60 thereafter.

Phaidon/Vendome, 515 Madison Ave., Suite 1906, N.Y. 10022,

Reviewed by Anatole Broyard

COLOR is the pain of light". Romanticism would you find a shimmering seotence like that one of Goethe's? Here are some more by other writers: "The tragedy of land-scape." "That rent made by nature in the innermost steps of the self. "The deliverance of the glance." "A haggard exploration of contradictions." Whatever else you may say about Romanticism — and it is sometimes fatuous — it does permit heroic phrase making.

What is Romanticism, exactly? In "Romanocs and Romanticism," Mi-chel Le Bris says that the Romantic movement had only just begun in the beginning of the 19th century when Friedrich von Schlegel admitted that he had already filled 100 pages with vain attempts to defice it. In "Romanticism," Jean Clay points out that, in 1824, two French scholars set out to define the term and gave up in despair after a year. By 1925, Clay says, a Belgian scholar compiled 150 accepted definitions, all of which seemed pertinent

In spite of his Romantic remark about color, Goethe was severe about Romanticism in art. "I call Classic what is healthy," he said, "and Ro-mantic what is sick." Io the second half of the 19th century, Degas said,
"A Classicist is a Romantic who has arrived."

Still, most of us know what Romanticism to painting means. It means Pi-



ranesi's "Prisons." where the stain fold back on themselves. It means Caspar David Friedrich's landscape in which a single figure is point against an endless, ambiguous space. It means a J.M.W. Turner painting of a ship foundering in a storm of color.

It is ruins, chasms, stylized savages, such as Delacroix's "Lion Devouring

a Horse," or the "Death of Sardan Romanticism is "the terror of history. It is Burke's "suhlime," won Schlegel's "process of always becoming." In Le Bris' definition, it is. promise of a change, a break," or "a frenzied appeal to storms, upheavals apocalypses, io order to forget the

gnawings of ennui."
While "Romantics and Romanticism" is primarily ideological and linerary in it analysis. Jean Clays
"Romanticism" takes a more pamierly approach. He writes about Romantic art in terms of "the rediscovery of the picture surface," "the liberation of line," "the blurring of form," "the exploration of color" and "construction

by assemblage."
Michel Le Bris's text is like Roman. ticism itself - full of hyperbole, fustian and genuine pleasures too. If a quite a long text and he seems to him what the Romantics would call a "sublime" supply of information. Jean Clay is rather technical, a tought er customer, but with quite a few good

nistorical asides. The pictures in both books are won-deful, whether you like Romanticism or oot. There's a paioting hy Goya, for example, called "Dog Buried in the Sand," which must be one of the most haunting pictures in the world.

most haunting pictures in the world.

It's difficult oot to have a soft spot for Romanticism. Not just because it tries so hard, but because it reminds us how very beautiful so many of its subjects actually are. We don't get to see many gorgeous or ghostly moun. tains, storms at sea, tragic landscapes, or people making extravagant gentures. If Romanticism is often larger than life, it is also true that our daily experiences are often smaller than life.

Anatole Broyard is on the staff of The New York Times.

CHESS.

By Robert Byrne

VIADO KOVACEVIC, a Yngo-slav grandmaster, won the Mazi-bor, Yugoslavia, international tournament, scoring 10-3 in the 14-player round-robin event. Jonathan Speel-man of Britain captured second place with 9%-3%, thus attaining grandmaster rank Grandmasters Hans Ree of the

Netherlands and Dragoljub Velimirovic and Juraj Nikolac of Yugoslavia shared third place with 8-5 scores.

In beating Ree with a gung-ho spec-

ulative attack, Kovacevic played in the style of a cavalier of the last century. His 3 B-B4 was the introduction to old-fashioned play, but what had be intended against the sharp 3... P-B4: 4 P-K3, Q-N3 except the defen-sive 5 Q-B1? Rec mobilized in a solid, passive style, however, prompting Ko-vacevic to strive for an attack against the king with 8 P-KR4!?

Kovacevic can never resist temptation to offer such a speculative sacri-fice as 11 BxPch!?, which placed a heavy defensive burden on Black even if not quite sound. After 11 . . . KxB; 12 Q-Rch, K-N1; 13 N-B3, defense by 13 . . . P-N3; 14 Q-R6, R-K1; 15 N-N5, N-B1 would

Ro, R.-K.; 15 N-N5, N-B1 would have been doomed by 16 P-R5.
Unfortunately, Ree missed the chance for 13 . . . B-R3! (with the idea 14 N-N5?, B-Q6!); 14 R-Q1, P-B3; 15 N-N5, PxN; 16 PxP, R-B4; 17 Q-R7ch, K-B2; 18 P-N6ch, K-K1; 19 QxP, N-B1!; 20 Q-R8, K-Q2; 21 P-N7, N-N3, when White's attack grinds to a halt.

to a halt.
Instead, his immediate 13. Instead, his immediate 13...P-B3 was no deterrent 14 N-N5!?, PxN; 15 PxP, after which 15...RxB; would have permitted 16 Q-R8ch, K-B2; 17 P-N6ch!, KxP; 18 Q-R5mate. Probably Ree's last chance for defense was to give back a piece by 15...BxP; 16 BxB, Q-B2. His alternative with 15...R-B4 gave Kovacevic the opportunity to achieve a beautiful victory: On 16 Q-R7ch, it was not possible to escape with 16...K-B1? because of 17 Q-N61, K-N1; 18 R-R7!, B-B1; 19 Q-R5 forcing mate.



After 18 QxP!, Kovacevic was able to add threats of promoting the advanced KNP to his mating attack; thus, 18 . . R-B1; 19 R-R81, NiP (20 Q-B7mate had to be stopped); 20 BxN, K-Q2; 21 RxR, QxR, 22 QxQ, BxQ; 23 P-N7, BxP; 24 BxB pais Rlack a passed down.

Black a pawn down.
On 20 Q-N8, Ree could not stop 21
Q-B7mate by 20 . . . Q-K2 because
of 21 R-R7, so he gave back a piece
with 20 . . . NxP; 21 BxN to ma

with 20 ... NxP; 21 BxN to ran with his king.

After 23 Q-R7ch, Ree saw that he had to lose the exchange, either by 23 ... Q-K2; 24 B-B6!, QxQ; 25 RxQch, K-B3; 26 BxR, or by 23 ... K-B3; 24 P-N7, RxP/2; 25 BxR, Q-Q2; 26 BxB, QxQ; 27 RxQ. RxB, so he gave up.

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Dodgers Rebound With 5-4 and 8-7 Victories; Series Stands at 2-All

Los Angeles Rallies Decide Game 4

By Thomas Boswell Washington Post Service LOS ANGELES - The New York Yankees are in a full, wide-

eved panic. From owner to manager to players, the same expression was written on every face after their gloriously goofy 8-7 loss to the Los Angeles Dodgers in Saturday's Game 4 of the World Series: "Oh, Lord, what's going to happen to us

The Dodgers now lead this World Series, two games to two. That's right, they lead.

· If the word momentum means anything in sport, the Dodgers have it. With Jerry Reuss scheduled against the Yankees' Ron Guidry in Sunday's Game 5, who could say how much burdensome weight the memory of Saturday's marvelously complex and exciting game would carry?

The Dodgers won it with two runs in the seventh inning, breaking a 6-6 tie. The Yankees got their final run in the eighth on a home run by Reggie Jackson, who tied a Series record by getting on base five times. It was his first appear-ance since a calf injury sidelined him in the American League cham-niouship series pionship series.

"I thought this was one of the best baseball games I ever saw — thrilling, exciting, full of tension," bubbled Dodger Manager Tom Lasorda after seeing his team come back from 0-4 and 3-6 deficits.

"I thought the whole thing was pretty lousy," said Yankee Mana-ger Bob Lemon, who had another abysmal game of second-guessable

Yankee Owner George Steinbrenner was full of bile. There's no excuse for Ron Davis to blow a three-run lead," he said, recalling how Los Angeles had shelled Davis for three runs in the sixth to put things at 6-all.

Unremembered

· "We had to shake up our lineup because we'd been getting no production," said Steinbrenner, trying to account for center-fielder Jerry Mumphrey's spending the entire game on the bench.

What Steinbrenner didn't want to remember was that the man he had benched, Mumphrey, was the player whose absence probably cost the Yankees the game.

With Dodgers Dusty Baker on first and Rick Monday at bat in the seventh, the game turned. Monday hit what he called "a horrible piece of junk off the end of my bat." It floated toward shallow

The man in center field for the Yankees was the notoriously bad-fielding Bobby Brown. For Mumphrey, Monday's fly would have been easy work; for Brown, it was an impossibility. His sliding attempt at a knee-high catch pro-duced a double. Two batters later the game belonged to the Dodgers.

A Steve Yeager pinch-hit sacrifice fly scored the go-ahead run and a cheap, choppy single to third by Davey Lopes gave Los Angeles set back the healing process a cou-what proved to be the winning run.

From Agency Dispatcher
SOUTH BEND, Ind. — Todd
Spencer's 26-yard touchdown run

with 4:52 left in the game Saturday

lifted the University of Southern California to a 14-7 victory over

Notre Dame.
"We only give him [Spencer] the ball once a month," said John Robinson, the USC coach whose

offense features tailback Marcus

Allen, the nation's leading rusher. "We hadn't done well with the

fullback offense. But when people

come after Allen, we have to do

something else."

Before he broke loose for the

recr - to set up a 14-yard third-

quarter scoring run by Allen. Notre Dame's Phil Carter, who

gained 161 yards on 32 carries, tied

the score on a 5-yard TD run with

3:11 left in the third period. But Carter was held on a fourth-down

play at the USC 33 with 2:41 left

in the game, allowing the Trojans to preserve the victory, their 16th

USC improved its record to 6-1, while Notre Dame, off to its worst start since 1963, fell to 2-4.

Twice Notre Dame was in pos tion to take the lead with field

game-winning touchdown, Spen-

straight on the road.

cer, a sophomore, had gone 27 yards — the longest run in his ca-

Even in the Yankee owner's box the question was being posed. "We all thought Mumphrey was going out to center field in the sixth inning when we had a three-run lead," said Steinbrenner, mercilessy second-guessing his manager. "I

don't know why he wasn't." Many a Yankee suspects it was Steinbrenner himself who, after or-dering Mumphrey's benching, was responsible for the fleet center fielder's absence. "There are millions of people who wonder if George had a hand in Jerry not being out there," said Jackson, who had two singles and two walks in addition to his homer. "I'm just

one of the millions."

The Dodgers' Steve Garvey, who had three more hits Saturday, was asked how the complexion of this Series had changed after two one-run Dodger victories within 20

"It's like we've been using a miracle soap," said Garvey. "Our complexion has cleared up nicely. We've never looked so good."

Never so Bad

And the Yankees have never looked so bad. Starting pitcher Rick Renschel was given a 4-0 lead after the Yanks knocked out Bob Welch on 16 pitches to 4 batters in 9 minutes of the first inning. But the 250-pound Reuschel couldn't

Worse, the Yankees tangled their hullpen assignments so badly that with the game on the line tied in the seventh - it was career journeyman George Frazier on the mound, not Goose Gossage. And for the second time in two days, Frazier, who was not even sup posed to appear in this Series, took

No man had lost back-to-back Series games in 40 years. What in the world, the Yankees must ask, was Frazier doing on the mound in such crises?

New Role

Adding to the mood of panic was the sight of Yankee starter Tommy John in relief when Yeager and Lopes came through to bat in runs in that seventh. By what mismanagement of affairs was this 38-year-old making his first rescue appearance in three seasons?

Everywhere the proud Yanks look they see bad news. Dave Winfield, who only a fortnight ago was crowing about how this postseason would show his vast and varied skills, is now 2-for-31 and pressing on every swing. "Winfield is 0-for-20 [since midplayoffs], but we can't take 'em all out of the lineup," said Steinbrenner, sounding

One man who wishes be were in the lineap but couldn't be is Nettles, who took batting practice be-fore Game 4 in a desperate attempt to play. Instead, he rein-jured his bruised left thumb and, by his own admission, "probably

goals, and twice the Irish failed. But the Notre Dame coach, Gerry Faust, said: "Our team came of

age today. I was impressed, I'm

proud of them. You can't ask for

Although Carter outgained Al-

len, Faust said of Allen: "He's a

standing football game. It qualifies with the standards set by the

Southern Cal-Notre Dame games. Both teams played hard. Our plan was to slow them down. We ab-

sorb and absorb, but we're hard to

Penn State 30, W. Virginia 7

liams, a reserve tailback, gained

140 yards and scored one touch-down, and fullback Mike Meade

rushed for 97 yards and another score to carry Penn State to a 30-7

Leading 10-7, at halftime, the Nittany Lions broke the game

victory over West Virginia.

In University Park, Pa., Jon Wil-

yards in 33 carries.

Where was Mumphrey? "I don't know," said Graig Nettles, out for the second straight game with a thumb injury. "I asked Jerry, 'Why aren't you out there?" and he said, 'I don't know, either.' "

The beginnings of Dodger madness really began in the sixth, when pinch-hitter Jay Johnstone hit a two-run homer off Davis to cut New York's lead to 6-5. That it the fire as a record Dodger madness. dium crowd of 56,242 forgot to act laid-back. When the next batter, Lopes, hit a routine fly to right that hit Jackson squarely in the heart for a two-base error, the house rocked with delight.

Wobbly

"I never saw the ball after it got into the sun," said Jackson. "I zig-zagged, running in, hoping the ball would get out of that sunspot. I guess I looked like a drunk."

After that, it seemed a foregone conclusion that the snakebitten, backsliding Yankees would find a way to lose. A Bill Russell single Davis brought home Lopes with the tying run.

"They got a lot of chop hits and good hops today," said Lemon.
"They know where the rocks are in
this infield. I guess we have to find

. "What a terrible ballpark this is," said Steinbrenner. "What an awful infield."

But when panic sets in, things are not seen for what they are. Perhaps that is why, after a mar-velously bizarre 3-hour, 32-minute game, Yankee Bob Watson could stuhbornly say, "I think we're still in the driver's seat."

Unfortunately for the Yankees, a Chavez Ravine cliff appeared to be dead ahead.

Game 4 Line Score

New York 211 063 616—7 Les Assentes 682, 672 205—8 Reputchel, May (4), Davis (5), Frazier (6), John (7) and Carones Welch, Gottz (1), Frazier (4), Niedenties (5), Hawe (7) and Sciencia, Yeager (7), W—Howe (1-6), L-Frazier (52, HRS—New York, Randolph (1), Jackson (1); Los



In the eighth inning of Game 3, Ron Cey charged in from third, made a lunging catch of Bobby Murcer's bunt and then doubled a Yankee runner off first —ending the final New York threat.

Bills Beat Broncos on Last-Second Field Goal

From Agency Dispatches
ORCHARD PARK, N.Y. — Nick MikeMayer kicked a 36-yard field goal with one second left in the game Sunday to rally the National Football League Buffalo Bills to a 9-7 victory over the Denver Broncos.

Mike-Mayer's third field goal of the game, which gave Buffalo (5-3) its first lead, capped a 58-yard, 8-play drive in the final three minutes that ended on the Denver 18.

Mike-Mayer also kicked field goals of 41 and yards as the Denver defense - rated No. 1 in the league entering the game — stonewalled the Bills, except in the final minutes of each

The Brancos, who dropped to 5-3, drove to the Buffalo 25 in the second quarter, where quarterback Craig Morton was sacked for an 11-yard loss. On the next play, the league's top-rated passer fired a 36-yard touchdown pass to receiver Steve Watson, who beat Bill safety Bill Simpson with 11:15 left in the half.

the final minute of the half, Buffalo reached the Denver 23 and Mike-Mayer cut the Broncos' halftime lead to 7-3 with a 41-yard

field goal.

Mike-Mayer's 46-yard field goal made it 7-6
at 10:39 of the third quarter.

Eagles 20, Buccaneers 20

In Philadelphia, Tony Franklin's 32-yard

Late Touchdown Run Defeats Notre Dame for USC; Penn State Wins

field goal with 4:18 left to play enabled the Ea-

gles to beat Tampa Bay, 20-10.

Franklin's winning kick came 2:50 after the Buccaneers' Bill Capece had tied the game at 10-all with a 29-yard field goal. After the ensuing kickoff, the Eagles got as far as the Tampa Bay 14 — the big play being quarterback Ron Jaworski's hitting wide receiver Charlie Smith for a 45-yard gamer. Three running plays netted nothing, and Franklin came on to split the

nprights with the winning points.

The Eagles added a touchdown with 1:30 remaining after cornerback Richard Blackmore intercepted a desperation pass by Tampa Bay quarterback Doug Williams and returned it 18 yards to the Buccaneer 4. On second down, running back Wilbert Montgomery smashed into the end zone to make it 20-10.

Browns 42, Colts 28

In Cleveland, quarterback Brian Sipe riddled the Baltimore defense for a team-record 444 yards passing and 4 touchdowns as the Browns sent the Colts to their seventh straight defeat.

Sipe completed 30 of 41 passes in breaking the Browns' passing yardage mark of 401 set by Otto Graham in 1952. The Browns compiled 562 yards total offense to shatter the team mark of 550 yards set against the Chicago Bears in

Sipe was near-perfect in the first half, com- attempt in the final minute fell far short.

pleting 17 of 22 - including 11 in a row - and throwing scoring passes to Ozzie Newsome (1 yard), Gregg Pruitt (22 yards) and Dave Logan (40 yards). Charles White added a 2-yard TD run to give the Browns a 28-7 halftime lead.

The Colts, who had scored on a 3-yard pass from Bert Jones to Curtis Dickey in the second quarter, added two quick touchdowns in the third period to pull within 28-21. Sipe then got back in year, hitting Pruitt with two passes totaling 41 yards to set up a 28-yard touchdown throw to Ricky Feacher.

Jones responded with a 5-yard touchdown pass to Botler that pulled the Colts within a touchdown, but Cleveland came back with an 89-yard drive climaxed by Mike Pruitt's 16yard scoring run midway through the fourth.

Redskins 24, Patriots 22

In Washington, Joe Theismann passed for one tonchdown and ran for another to lead the Redskins to a 24-22 triumph over the New England Patriots, who missed a 53-yard field goal attempt with 51 seconds to play.

Theismann passed 13 yards to Joe Washington for one score and ran 1 yard for another and Mike Nelms returned a punt 75 yards for a touchdown as the Redskins improved to 2-6.

Mark Moscley added a 34-yard field goal.

John Smith kicked field goals of 25, 22 and
46 yards for the Patriots (2-6), but his 53-yard

So. Carolina 31, No. Carolina 13

flawless passing of quarterback Goron Beckham sparked South Carolina to a 31-13 upset of North

Carolina. Beckham completed 16

of 17 passes for 195 yards and one

touchdown, and the Gamecocks' defense held the potent Tar Heel

rushing attack to 176 yards while

winning streak snapped, lost start-ing quarterback Rod Elkins with a

NHL Standings

WALES CONFERENCE

Saturday's Results
Quebec & Defrait 3 (Cloutier 3 (7), P. Stostny 2

Guesec & Derror 3 (Choirer 3 (77)-F. Stosmy 2 (6), M. Stosmy (44, Gouler (44, Richard I4); Lar-son (44, Huber (2), Osbarne (2)), N.Y. Islandars & Washinston 4 (D. Sutler (3), Marrick (3), Tanill (3), Beesy (9), Sourne (5), Goring (3); Maruk 2 (4), Ribbie (1), Gustofson

ry. Coloury 7, Hortford 3 (Nilson (5), Histop 2 (3),

Curson Y, Hormon's (Nusson (5), Hasep 2 (3), Ryssell (2), Lever 2 (5), MocAllion (1); Douglas (4), Sudiman (3), Kotsopoulos (2)(. N.Y. Rongers 5, Taronto 3 (Grescher (2), Rog-ers (3), Johnston (3), Hickey (1), Powalich (3); Robert (2), Sepanlok (2), Marstell (1)(. Akantreal 7, Barlon B (Lanswey (1)), Lansuckey (1), Lansuckey (1), Lansuckey (1), Lansuckey

(4), Gainey (2), Lafleur (5), Shuff (7), Napler (4),

Ion (6); Brasor 2 (2) (.
Chicaso S, Wimileos S (Bulley (1), Sutter 2 (5), Presten (3), Wilson (6); MacLeon (2), Hower-chuk 2 (A), Christian (3), Sleen (1)(.
Buffato 4, Toranto 2 (AkcKenney 3 (5), Sovord (1), Sellino 2 (4); Bonnino (1), Anderson (6), Hoston (7), Hoston 2 (4), Gretzky (6), Hunter (3), Hughes (3), Messler (8), Coffey (5); Carlyle (2), Johnson (3), Rurasita (3)(.

lan (é(; Brasar 3 (2) (.

sprained ankle in the first half.

North Carolina, its 10-game

forcing five turnovers.

At Chapel Hill, N.C., the nearly

Cey's Glove, 3-Run Homer Bolster a Shaky Valenzuela

Los Angeles Times Service
LOS ANGELES — The World Series wasn't a game old before Ron Cey and his broken arm, and the various protective plastic plates to protect the arm, were old news. Graig Nettles saw to that. The gifted Yankee third baseman showed his particular hrand of defensive artistry and Cey was relegated to sideshow status.

Cey says it didn't bother him. that he's used to being underrated. T've never gooe into a World Series," he said, "where the writers hadn't given the other team the edge at third base. That can't bother me. Opinion is one thing. What I've done is another."

No Room for Opinion

Cey left nothing in opinion Fri-day night as he belped the Dodgers to a 5-4 victory over New York in Game 3 of the World Series. He bomered and singled and walked twice in four times up. He also made the defensive play of the game. He couldn't exactly be over-

You don't overlook a first-inning, three-run bomer that matched the Dodgers' total previous Series run production and that figured, with Fernando Valenzuela on the mound, to be overkill.

And you don't overlook his diving catch of an eighth-inning bunt by Bobby Murcer that Cey turned into a double play. Cey also got Valenzuela the other out in the eighth during the second Yankee base-running snafu of the inning.
The Dodgers had to win with Valenzuela to have a chance at the Yankees. But Fernando wasn't quite Fernando, and they probably wouldn't have won with him had it

not been for Cey. Everyone knows Cey can hit, just as everyone knows the Dodgers can hit It was a matter of when. Cey hit a 3-2 Dave Righetti fastball about 400 feet into the left-field pavilion and the Dodgers were quickly up, 3-0. "Ordinarily with three runs," Cey said, "yon figure Fernando has enough." But he and his teammates were quickly disabused of that notion. As Cey said later, "Nothing has come easi-

ly for us." It came down to Cey's having to become the game's defensive star for the Dodgers to finally stave off the Yankees.

Charger

Cey is considered an average-togood third baseman. He has soft hands and an accurate, if oot strong, arm. What he doesn't have is much range. He likes to think he makes up for that lack with intelligence and positioning; not every-one agrees. But one thing Cey does well is charge a ground ball.

With Larry Milbourne on first and Aurelio Rodriguez on second and nobody out in the eighth, Cey figured Murcer might bunt, but Cey couldn't commit himself. As it turned out, Murcer was bunting but for a base hit. The Yankees

had turned greedy. Murcer, who didn't square around in the sacrifice position, tried to make a good offensive bunt and instead bunted a hanging line drive. Forgetting his injury. Cey dived for the hall — landing smack on the had arm but making

the catch in foul territory. But the bunt was no worse than the base-running of Milbourne, who was busily racing toward second hase. Cey threw to first for the force play and got the inning's sec-ond ont. "Getting Milbourne was the big play," Cey said. "I looked up and saw where he was and I knew we had him."

The next batter, Willie Randolph, hit a grounder along the third-hase line. Cey got to the ball but be never could have gotten Randolph at first. He didn't have to: Rodriguez, playing in place of Nettles, was running straight toward third. All Cey had to do

In the ninth, Valenzuela sailed through Jerry Mumphrey, Dave Winfield and Lou Piniella — the 2-3-4 hitters in the Yankee order — and that was the ball game.

The Dodgers can't be expecting their pitching to carry them in this Series. "We haven't been playing good fundamental baseball offen-sively," Cey said. "We've been leaving runners on base or haven't

It looked as if it would be that way again in the Dodger first in-ning. With Davey Lopes oo third and Bill Russell on first and nobody out, Dusty Baker popped up and Steve Garvey struck out. Cey wasn't thinking of a homer, he was thinking of just getting a run.

But when the count got to 3-2, Cey hit a shot down the left-field line, just foul, that would have been a homer. The next pitch, Cey his high and far - and fair. There wasn't any questioo about its being a home run.

The fans gave him a standing ovation and called hm out of the dugout for a bow. It was, finally, recognition enough.

Valenzuela, the 20-year-old hope of the Dodger franchise, gave up nine hits and seven walks, but at the end it was still his round, little form out there firing. It took him 146 pitches 10 do it, but the Dodgers were finally on the board in the 78th World Series. They had lost their previous six Series games, dating back to 1978.

That Valenzuela lasted so long is

attributable to his own poise and tenacity, and also to the faith of Manager Tom Lasorda.

For once, Valenzuela had gone to work with an early lead. But he was shaky. In the first inning, he walked two. In the second, Boh Watson hit a high screwball for a center-field home run. The next hitter, Rick Cerone, rattled a line drive off the top of the low railing in front of the left-field stands for a double. Rodriguez hit one deep to right to Rick Monday and Cerone jogged into third after the catch. Milbourne singled to right and Valenzuela's lead was down to 3-2.

An inning later, Piniella singles to center, Cerone hammered a fastball into the left-field bleachers and there went the lead. At that moment, you could not have given a lot for Valenzuela's chances of adding to his legend in the imme-

"He was all over the place," said catcher Steve Yeager. "He didn't have good stuff at all." Lasorda's staying with Valenzuela was, said Davey Lopes, "a gutsy move. He would have taken a lot of criticism if he hadn't won.'

Reliever George Frazier, who took over for Righetti in the third, is a right-hander of no previous distinction whom the Yankees had gotten out of the Cardinal system for the famous Rafael Santana. He worked two scoreless innings, and then came the fifth. Garvey bounced one to deep third; Rodriguez had to retreat, and Garvey beat the throw. Cey walked.

Pedro's Reprieve

Up came Pedro Guerrero, who hasn't been hitting. In exactly the same situation two innings earlier. Lasorda had given him the bunt sign. Guerrero made two weak at tempts, fonling them off, before striking out

This time he faked the bunt, drew back and hit another high bouncer down the third-base line This one got over the drawn-in Rodriguez and rolled down the leftfield line. Garvey scored, tying it, and the runners made second and

Monday was intentionally walked. Yankee Manager Bob Lemon brought in Rudy May, a left-hander, in pitch to Mike Scioscia. And Reggie Smith appeared in the on-deck circle to pinch-hit for Valenzuela. Scioscia hit a grounder up the middle to Randolph, who stepped on second and threw to first to get Scioscia — hut the run scored. Lasorda called Smith back.

Valenzuela, now with a 5-4 lead, started the sixth by walking Randolph. Randolph tried to steal sec-ond and Scioscia threw him out.

The seventh was easy enough, even if Baker did have to drop back to the left-field fence to catch Watson's liner. But Rodriguez led off the eighth with a hard single to right and Milbourne stroked a little grounder between first and second for a single.

Enter Murcer. Enter Cey. Game 3 Line Score

Salazar and Roe Break World Marathon Marks

The Associated Press NEW YORK — Alberto Salazar broke a world by winning Sun-day's New York City Marathon in 2 hours, 8 minutes, 13 seconds. New Zealander Allison Roe also broke the women's record with a

time of 2:25:28 Taking command with a remarkable unofficial 4:33 mile from of the way. the 16th to the 17th miles, Salazar shattered the mark of 2:08:33.6 set Derek Clayton of Australia in May, 1968, at Antwerp, Belgium. Prior to the race - only his second marathon — the 23-year-old native of Havana had said he was capable of running "2:08 ... maybe 2:07."

Roe, winner of the 1981 wom-

(4), Geltey (2), Lieure Action (4)(, Minurayla & Los Angeles 3 (Cortson (2), Smith 15), Payne (2), Brolen 2 (7), Andersson (1); Bogek (6), Toylor 2 (5); Philodelohia & St. Louis 3 (Bridgman (3), Wilen's sectioo of the Bostoo Marathon, bettered the mark of 2:25:41 set by Norwegian Grete Waitz in last year's New York event. Waitz had won three conson (3), Kerr 2 (2), Lacch (V. Borber (5); Suther (3), Petierron (2), Turnbull (4(f. Edmonton 1, Colorado 1 (Messier 2 (10), Gretzky (7); Lavo (2)(. Fridov's Readls. N.Y. Islander's 4, Washington 2 (Tonelő 2 (2), Bosty 2 (8); Duchesne (2), Tookey (1)). Hartierd 2, Vancouver 2 (Douslas (3), Stoughland (4); Encard (2)). secutive marathons here but is suffering from shin splints and was forced to drop out after 15 miles

Sunday. The confident Salazar never wavered. He stayed with a pack of world class runners within 80 yards of the pacesetters after eight miles. As the rabbits came back to the field and eventually faded,

Salazar, the winner here last year

in a race-record 2:09:41, slowly and smoothly worked his way to the front Unchallenged

After putting on his sensational mile he was more than 20 seconds ahead of the record pace. No one seriously challenged him the rest

Bill Rodgers, a four-time winner of the New York City and Boston Marathons whose U.S. record of 2:09:27 was crased by Salazar, was late withdrawal. Frank Shorter, the 1972 Olympic champion and the 1976 Games' silver medalist who had entered the New York event Saturday night, oever was in contention.

Weather conditions were perfect for the 26 mile, 385-yard grind through New York's five boroughs by a marathon record field of approximately 16,000. The temperature was about 50 degrees with a little sun and north-northeast winds of about 10 mph.

> More Sports On Page 17

JSC's Todd Spencer, pursued by Notre Dame's Joe Johnson, raced into the end zone late in the fourth quarter Saturday in South Bend., Ind., to give the Trojans a 14-7 victory over the Irish.

downs. One came on an 11-yard third-quarter pass from Todd Blackledge to Kenny Jackson that was tipped by a West Virginia defender. They added a pair of

great athlete, but we did a great job on him." Allen gained 147 game's final minute. "Allen is one of the best, if not the best runner, in the country," Faust said. "We figured he'd get his yardage, we just wanted to keep him from breaking the long Said Robinson: "It was an out-

> 23-10 victory - the Panthers' 13th straight - over Syracuse. Marino, the nation's top-rated quarterback going into the game, completed 27 of 41 passes but was intercepted four times. He completed touchdown passes of 13 yards to Julius Dawkins and 5 yards to

Dwight Collins.

tion among major colleges. Pitts-burgh (6-0) trailed, 10-0, at the end of the first quarter and elung to a precarious 17-10 margin before the Marino-to-Collins touchdown put the game out of reach with 2:49 to touchdowns in the fourth quarter on a 1-yard plunge by Meade with 11:58 remaining and a 13-yard run by freshman Tony Mumford in the In lowa City, Minnesota's Jim Gallery kicked four field goals, in-cluding a 27-yarder with 2:22 left,

The victory improved Penn State's record to 6-0. It was the Nittany Lions' 23d consecutive victory over the Mountaineers, now 5-2. West Virginia last defeated Penn State in 1955; the 1958

meeting was a tie. Pittsburgh 23, Syracuse 10 In Pittsburgh, Dan Marino passed for 282 yards and three touchdowns to lead Pittsburgh to a

The Panther squad struggled throughout the game to protect its

straight time they have stopped the Americans Beaten In Tokyo Tennis

victory streak --- longest in the na-

Minnesota 12, Iowa 10

to lead the Gophers to a 12-10 up-

The victory improved Minneso-ta's record in 5-2 overall and 3-2 in

the Big Ten, and it was the fourth

set of Iowa in a Big Ten game.

TOKYO - Patricia Pinterova of Czechoslovakia and Balazs Taroczy of Hungary upset their Ameri-can opponents in the finals of the Japan-Asian Open termis cham-pionships here Sunday. Taroczy, seeded No. 2, downed

The Associated Press

top-seed Eliot Teltscher, 6-3, 1-6, 7-6, for the men's title; No. 6 Pinterova trounced No. 1 Pam Casale, 2-6, 6-4, 6-1, for the women's.

McNamara Wins on Default

MELBOURNE (AP) — Vitas Gerulaitis of the United States defaulted in the third set to Australian Peter McNamara in the finals of a professional indoor tennis here Sunday. Gerulaitis refused to continue after a line call gave the top seed a point to level the match at 5-5 in the deciding set; McNamara found himself the winner on a forfeit, 6-4, 1-6, 7-5.

Barker Beats Jansovec

BRIGHTON, England (AP) -Sue Barker of Britain rallied to defeat Mima Jausovec of Yugoslavia, 4-6, 6-1, 6-1, Sunday in the final of a women's professional tournament here.

Lend Triumphs

VIENNA (AP) - Top-seeded Ivan Lendl of Czechoslovakia defeated second-seeded Brian Gottfried of the United States, 1-6, 6-0, 6-1, 6-2, Sunday to win a grand prix tennis tournament, his fourth straight tourney victory.

zorbacks stopped Houston at the 1 to set up Clendenen's kick. Hawkeyes. Iowa dropped to 5-2 overall and 3-1 in conference play. The Hawkeyes are trying 10 record their first winning season in 20

Following an Iowa punt, Minne-sota's winning drive began at its own 42 with 7:19 left in the game. Quarterback Mike Hohensee hit Chester Cooper with a 12-yard pass and scrambled 15 yards to give the Gophers a first down on the lowa 30. Five consecutive running plays brought the ball to the Iowa 10. Minnesota then called on

Gallery, who drilled the kick through the center of the uprights. Texas 9, So. Methodist 7

In Irving, Texas, three Southern Methodist mistakes were turned into Texas field goals as the Longhorns nipped the previously un-beaten Mustangs, 9-7, in a South-

west Conference game.

Raul Allegre kicked a pair of 32yard field goals after Texas fumble recoveries and a 52-yarder after a short Mustang punt.

The Mustangs' potent ground game was held to less than two

yards per carry by a bristling de-fense led by All-American tackle Kenneth Sims. A fourth-quarter passing play accounted for SMU's only touchdown.

Houston 20, Arkansas 17

In Little Rock, Ark., Mike Clendenen kicked an 18-yard field goal with 5:20 left in the game to lift Houston to a 20-17 Southwest Conference victory over Arkansas. Clendenen's winning kick ch-maxed a Cougar comeback in which the Houston defense stiffened in the second half to hold the Razorbacks scoreless.

The field goal was set up on a pass interception by Coogar cornerback Butch Lacroix. He stepped in front of a pass by Bill Pierce at the 50 and returned it to the Razorback 30. Houston quarterback Lionel Wilson directed the Cougars to a first-and-goal at the Arkansas 3-yard line, but the Ra-

CFL Standings

EASTERN DIVISION

W L T PCT PF PA

10 J 1 750 384 270

5 10 0 332 271 487

2 13 0 133 223 593

WESTERN DIVISION

14 1 1 1 76 544 277

10 5 0 47 473 233

8 6 0 577 544 323

8 6 0 577 391 345

6 8 6 429 229 279

Setution's Results

EASTERN DIVISION

Language

A Matter of Slicing

By William Safite

NEW YORK — When opponents of the sale of AWACS radar planes to Saudi Arabia spotted a future issue in the potential sale of multiple-ejection bomb racks, an unnamed senator was quoted in The New York Times as sking: "What will be the next slice of salami?"

This locution has its origin in Huogarian salami. In 1945, Hungarian Com-munist Party leader Maiyas ~. Rakosi vividly described bow he came to power: by getting his opposition to slice

off its right wing, then its centrists, until only those collaborating with Communists

This image was picked up by Joseph and Stewart Alsop, the columnists, as in the 1969 use: "Salami tactics will do the trick. Alexander Dubcek will certainly not be the last of the liberals to fall victim to the salami knife."

Thanks to the Alsops (whose brother, John, coined "egghead" to describe intellectuals), the phrase "salami tactics" bas entered the diplomatic vocabulary. It is far better than the sleep-inducing "gradualism"; its emergence during the current debate illustrates its longevity, which is also a quali-ty of bard Hungarian salami.

"YOU ARE waxing prolix in your middle ago!" observes John Simon, my hrotner in wordwatching, about a tiny, little mistake I made a few weeks ago.)

In a piece about "geezer power," designed to draw fire from goldeo oldies. I wrote: "If leshians argue that 'homosexual' should he limited to men, I would put up a feehle fight — arguing that the homo is the same as the 'man' in 'mankind' and covers women, too" (IHT, Sept. 28).

No letters from geezers. Bot 208 letters, six postcards and a telex from people who know the differeoce between Latin and Greek derivations.

"Egad, sir, did you ever take Greek?" wired Christian P. Hansen, a word-processing supervisor from the Bronx, "The 'homo' in 'homosexual' comes not from the Latin word meaning 'man,' hut

from the Greek homos, meaning 'same.' The most that the Latin homo and the English prefix bomo have in common is that they are homonyms."

"I suppose that you are going to get a pedantic letter on this from every soul who ever suffered through amo, amas, amat," wrote Robert A. Kaster of the University of Chicago classics department, "but what the bell, bere goes. As its antonym, 'heterosexual,' shows, 'homosexual' is one of those modern hybrids composed of a little Greek and a little Latin: Although the last three syllables are firmly rooted in the latter, the first two are derived from the former, specifically from the adjective meaning 'same' (versus betero, 'other')." He cites the origin in an 1897 coinage by Havelock Ellis.

"Surely you must have written that as a provocation, or come-on," observes Taliaferro Boatwright Jr. of Stonington, Conn. Would that I had. "Can you bear me, buried under that mountain of horrified mail?" cries Barhara Hol-land of Philadelphia. "Boy, that was a beaut. What oo earth did ou think 'bomogenized' meant? Milk made into man?"

"I have resisted the urge to write you on previous occasions when you expressed opinions I found loathesome," snaris Barnett R. Rubin of Chicago. "Both you and the anonymous leshians to whom you refer have been deceived by an ortbographical homology. A homology, hy the way, is a similarity of structure, not a word con-taining 'homo' or 'man, where linguisoc reformers would have us substitute 'person.'

How do you remember the difference between the Latin homo meaning "man," and the Greek bomo-, meaning "the same"? Eugene J. O'Sullivan of Tampa suggests the use of a mnemonic: Pronounce the Greek-rooted words to rhyme with "Tom": "The 'o' in 'homosexual' should be short, in fidelity to its Greek root, whereas the 'o' in 'Homo sapiens' should be long, in fidelity to its Latin root,' John F. Collins of Rockville Cen-

tre, N.Y., takes off this way: "Dear Noah: Your column calls for this oew eory: Safire (sa-fir) n. One who leaps before he looks into his favorite dictionary, thus causing hundreds of classicists to write him a smug little note such as this

New York Times Service

By Hilton Kramer New York Times Service

NEW YORK — No chapter in the history of modern art commands the degree of curiosity and wonder that greets each successive revelation of the accomplishments of the avant-garde that flour-ished in Russia just before and after the Revolution of 1917. Ideas that were thought to be wildly innovative and even shocking as recently as the 1960s ideas about the forms and materials of art, and about its meaning and social functions — turn out to have been fully developed in Russia.

The whole course of abstract art as it unfolded in

Western painting and sculpture appears to have been foreshadowed - and in some cases surpassed -in the art produced by a band of Russian modernists whose names, in many cases, are still scarcely even known to the art public. Only now are the dimensions of its achievements beginning to emerge from the obscurity forced upon it more than half a century ago by the loog night of the Stalinist terror. For this and other reasons, the exhibition of "Art of the Avant-Garde in Russia: Selections from the George Costakis Collection" at the Solomon R. Guggenheim Museum is a historic event. Consisting of 275 works produced in Russia between 1908 and 1932, the exhibition is drawn from the private collection of George Costakis, who in 1977 emigrated to the West from Moscow, where he was born in 1912. Costakis, who appears to bave lived a charmed life through all the ordeals of the Stalinist and post-Stalinist periods, was permitted by the So-viet authorities to take with him to the West 1,200 examples of the Russian modernist art be had been assiduously collecting since — by his account around 1946.

A 'Donation'

This is far more than most experts on modern art in the West have ever seen, but it is said to repre-sent only about one-fifth of the collection that Costakis managed to amass. The bulk of the collection was "donated" to the Treoakov Gallery in Moscow
— a state museum specializing in Russian art — in a deal with the government that allowed Costakis and his family to leave with what remained.

The objects that have been selected for the Gug-

genheim show by Margit Rowell and Angelica Rudenstine, the curators of the exhibition, concentrate on the artists and works of art that are least famil-iar to the art public here. "Many of the works in the exhibition are being shown in the West for the first time," Rudenstine points out in the catalog. While a few of the names represented — Malevich, Vladi-mir Tatlin, Lissitsky and Rodchenko, especially — will be familiar to anyone who had studied the permanent collections of museums devoted to 20thcentury modernism, most of the artists are either unknown or little more than dimly recognized names attached to scattered reproductions in books

and catalogs.

Considerable attention is given to the remarkable
Liubov Popova (1889-1924). (The Russian avantgarde was the only art movement of its kind in which the achievements of women were unquestioo-ably equal to those of their male colleagues, a circumstance that appears to owe more to the enlight-ened attitudes of the pre-Revolutionary liberal intelligentsia in Russia than to any measures intitiated by the Soviet regime.) Popova emerges as a prodigiously gifted painter, sculptor and designer.

Another striking and little-known talent is that of Olga Rozznova (1886-1918), who happens to have been the first of the Russian modernists whose

work Costakis began acquiring after World War II.

CLASSIFIED

Russia's Avant-Garde

Show Reveals Achievements of Reviled Revolutionary Artists

Her unutled abstract painting of a vertical green stripe, dating from 1917, was produced more than 30 years before the American painter Barnett Newman began work on the paintings of very similar designs. Ivan Kliun (1873-1942) is another painter whose work vividly andcipates more recent devel-opments — in this case, the kind of Minimal Art, based on simple shapes and an even simpler use of color, that enjoyed a vogue in the 1960s.

Testing Ground

The history of the achievement of the Russian avant-garde and the fate that it met at the moment of its greatest triumphs begins in the radical intel-lectual ferment that made the cultural life of pre-Revolutionary Russia a testing ground of every in-cendiary aspiration. Religious mysticism, revoludonary politics, symbolist aestheoes, educational reform, sexual emancipation and a consuming so-cial idealism were conflated in a visionary attitude that decisively transformed the conception of everyng — from the forms of art to the structure of

The art of the Russian avant-garde owed much of course, to the innovations that had overtaken Western European painting and sculpture in the late 19th century and early 20th. Without the precedents of Post-Impressionism, Fanvism, Cubism and Futurism, the Russian avant-garde would have followed a very different course. Tatlin made a famous pilgrimage to Picasso's Paris studio at the



In the early years of the Revolution there was every reason for the votaries of the avant-garde to believe that they were right. The modernists were given uprecedented authority to institute reforms in the organization of museums, schools and wherever visual culture played a role. The pobitical triumph of communism in Russia ushered in the cultural triumph of the avant-garde, or so it seemed. Statesupported institutions gave the modernists a power-ful base from which to launch their innovative programs at the outset of the Revolution and also shielded them from the criticism of more conservative art groups. The modernists pressed their advantage with a certain ruthlessness, never disguising their contempt for the kind of realistic and representational art that they regarded as a holdover from the discredited culture of the old regime. On this point, alas, they proved to be mistaken.

Politically Precarious Triumphs

outset of his career, and Popova and others learned much from the Cubist and Futurist art.

But what distinguishes the Russian avant-garde is the speed with which the precedents in Western European modernism were assimilated and transcended—the creative velocity with which new and un-

familiar ideas were taken up, and taken apart, and given a radical dimension unknown to their origina-

tors. In Popova's *centre*, as in that of many other members of the Russian avant-garde, we first en-

counter a Cuhist vocabulary that looks more or less familiar to anyone acquainted with the Cubists of the School of Paris. But then something happens. A

vision — mystical or policical or, as was more often the case, some combination of the two — intervenes to alter the inherited vocabulary and set it on a new

course, and we are suddenly confronted with forms,

textures, ideas that owe little or nothing to the

styles that set them on their way. Central to this achievement was the idea of ab-

stract art itself. It was oot an idea that the Parisian creators of Fanvism or Cubism cared for. Neither

Picasso oor Matisse was ever an abstract artist in

the way that Malevich or Rozanova or Kliun was.

For even in the early years of the Revolution, when the avant-garde was riding high with this official sponsorship, its triumphs were politically pre-carious. Lenin had never been a coovert to the avant-garde's cultural program. He was, in fact, opposed to it, and he once declared that "Lunacharsky should be flogged for his Futurism" - Futurism being at that time a name applied to almost all

avant-garde activity.

Tatlin, Rodchenko, Popova and other leading modernists who, in the early days of the movement, had produced some of the finest examples of pure abstract art, eventually turned against it, devoting their talems instead to what in the early 1920s was officially called "production art" — that is, propa-ganda posters, industrial design, theater decor and other applied art. In this work, too, the Russian modernisis heralded a revolution in modern taste, Their work exterted a tremendous influence on the Bauhaus in Germany in the 1920s for example, and on the taste of the founders of the Museum of Modern Art in New York at the end of the 1920s.

But even this could not save the avant-garde movement in Russian. Modernism had never won the support of the masses or, indeed, of the Communist Party, and as the Soviet regime consolidated its power in the 1920s, the modernist movement came more and more to be officially regarded as a despised relic of the bourgeois era — which, strictly in terms of its historical origin, it was.

Lenin withdrew support from the avant-garde and handed their hard-won authority over to the academicians and ideologues who subsequently established Socialist Realism as the only offically permissible style.

The Collector

If the objects that we see in this exhibition of Russian avant-garde art astonish us with their origi-nality and daring, even when compared with the most radical art produced in Europe and the United States during the same period, no less astonish-ing, surely, is the tale told about the man who collected it in the Soviet Unioo during the very years when "bourgeois formalism" was under unceasing attack. And it was in this immediate postwar period when the Soviet Gulag was filling up with the victims of Stalin's manderous scenarios — that George Costakis, who held a minor administrative job in the Canadian Emhassy in Moscow, ventured

upoo his extraordinary collecting.

How did he manage to do it? We do not really know. The story is that Costakis enjoyed a certain immunity from the Stalinist regime because of his Greek citizenship. His father, a wealthy tobacco merchant, had emigrated to czarist Russia in 1907, and his mother also came from a prosperous family in the tobacco trade. Pious Christians, the Costakis family opposed the Bolshevik cause, and it was for this reason that the young George Costakis was denied a proper education by the Soviet regime. As a result of these measures, Costakis had little schooling. He worked as a mechanic and at other odd jobs until, by a stroke of luck, he landed a joh with the Canadian Embassy, where, from all accounts, he made himself indispensable and remained during all the years of his collecting activities, drawing the salary of a minor civil servant. Throughout these vicissitudes, Costakis retained his Greek citizenship and passport, and it is in a suburh of Athens that he and his family make their home today.

It is to him and the voluminous collection he has

amassed, together with its attendant documentation, that we now owe much of our knowledge of the Russian avant-garde in the period of its greatest achievements. Exactly what plans Costakis may have for his collection have not been disclosed, though museums and private collectors in the West are vying for it. But the pleasure we take in rediscovering the achievements of this lost avant-garde should not blind us to the fact that what we are acquainting ourselves with in this exhibition is one of the tragedies of modern history.

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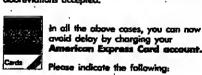
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